



FY 2001-02 through FY 2005-06

January, 2007

Prepared by the City of Greensboro, Budget & Evaluation Department

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National and Regional Data

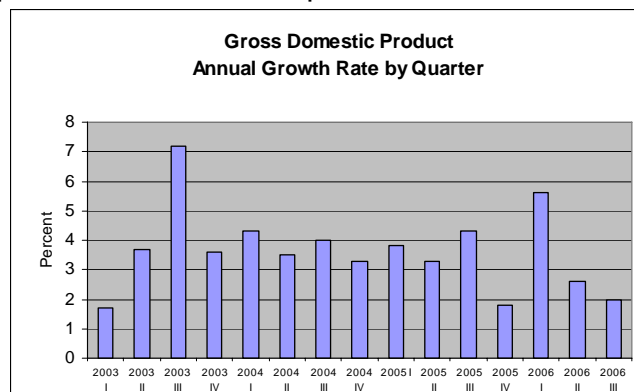
External economic conditions have an impact on the City of Greensboro's financial environment. Conditions within the United States, the State of North Carolina, and the Triad are important early indicators of possible changes to the local economy.

THE UNITED STATES

How would policy makers and consumers manage and endure the inevitable slowing of the United States economy during 2006? Would the slower economy find a “soft landing” with lower but still strong rates of growth? Or, would continued pressures from energy costs and increased interest rates bring economic growth to a more dramatic halt? These were the primary national economic questions during 2006.

Gross Domestic Product

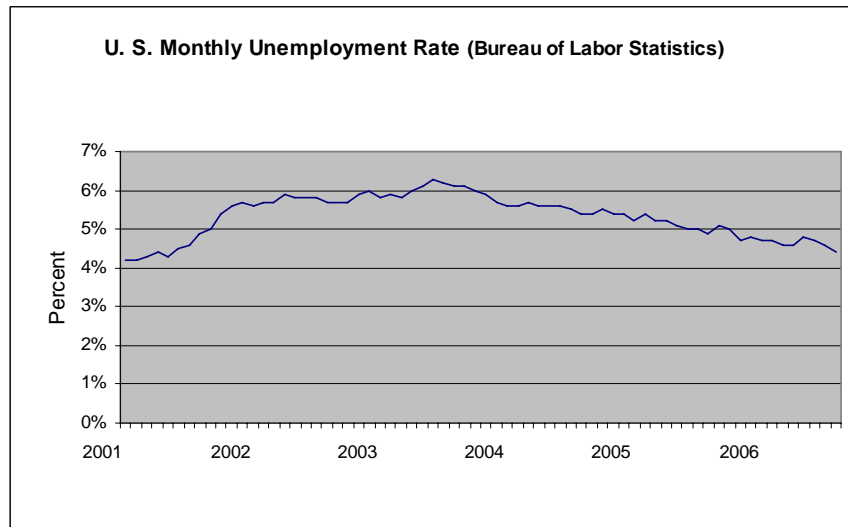
The broadest measure used by economists to gauge economic activity is Gross Domestic Product (GDP). GDP measures the total value of goods and services produced during a specific time period. The US Department of Commerce reported that GDP increased at an annual rate of 2.0% in the third quarter of 2006. This followed a 2.6% increase in the second quarter of the year and was only the second quarter since first quarter 2003 to record a growth rate of 2% or less. A 19% decline in residential fixed investment in the third quarter followed an 11% decline in the second quarter and was largely responsible for the slower GDP growth. Personal consumption for durable goods did rebound somewhat during the third quarter, increasing 6.4% after a second quarter of no growth. A slow down in state and local government spending and consumption was also noted in the third quarter numbers.



Preliminary numbers released by the Department of Commerce in late January 2007 estimated that GDP grew 3.5% during the final quarter of 2006. Final numbers will be available at a later date. A group of economic forecasters surveyed by the Federal Reserve Bank of Philadelphia project GDP growth in 2007 to approach 3%. *The Economist* Magazine projects a 2007 GDP growth rate of 2.2%. The National Association for Business Economics, a collection of business professionals, predicts GDP growth of 2.5% during 2007.

Labor Markets & Unemployment

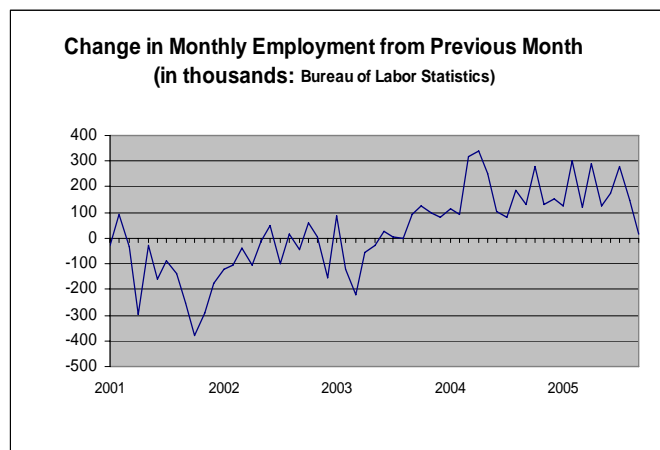
During 2006, the national economy did produce some new jobs while the national unemployment ranged from 4.4% to 4.8%. The 4.4% unemployment rate recorded in October, 2006 was the lowest monthly rate since mid 2001. Similarly, the number of total persons unemployed, as documented by the Bureau of Labor Statistics has improved during 2006. In fact, the number of adults



unemployed, currently estimated in October 2006 at approximately 6.7 million, has not been this low since 2001. The monthly increase in jobs added is beginning to slow, however. According to the Department of Labor, national non-farm payroll grew by 92,000 jobs in October 2006, compared to 148,000 jobs in September and 230,000 jobs in August. The national manufacturing picture has showed a slight contraction during 2006. Through available October figures, manufacturing lost approximately 45,000 jobs nationwide, or about 0.3%.

Overall, service providing job categories produced approximately 1 million additional jobs from January through August 2006, with preliminary numbers indicating additional job growth in September and October. Professional and business services posted January to August job gains of about 275,000 (about 1.6%). Education and Health Services recorded about 261,000 additional jobs (about 1.5%).

Forecasters such as the Federal Reserve Bank and Freddie Mac expect job growth to slow during the final quarter of 2006 and general unemployment rates to increase slightly to 4.7 - 4.9% during 2007.

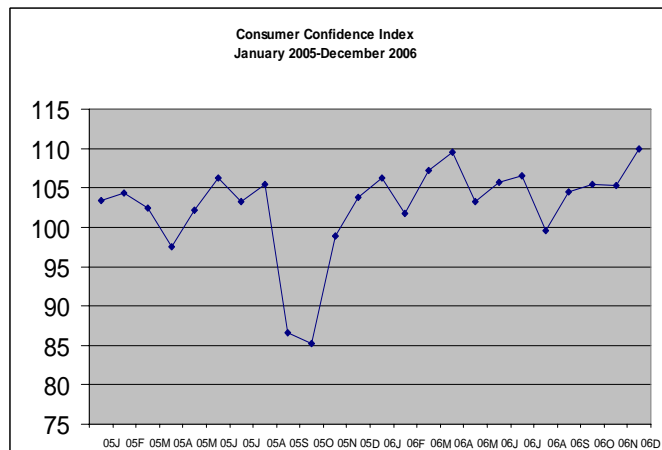


Although overall job numbers improved during 2006, some forecasters remain concerned about incomes and their ability to meet or exceed inflation rates. National personal income grew at 1.7% during the second quarter of 2006 (latest data available), which followed two consecutive quarters of 2.2% income growth.

As part of its 2005 mid-decade update, the Census Bureau reported that median household incomes rose faster than inflation during 2005. This was welcome news, given that, when adjusted for inflation, median household incomes in the United States actually dropped 5.9% from 2000 to 2005 (the drop in North Carolina was 11%).

Consumer Confidence

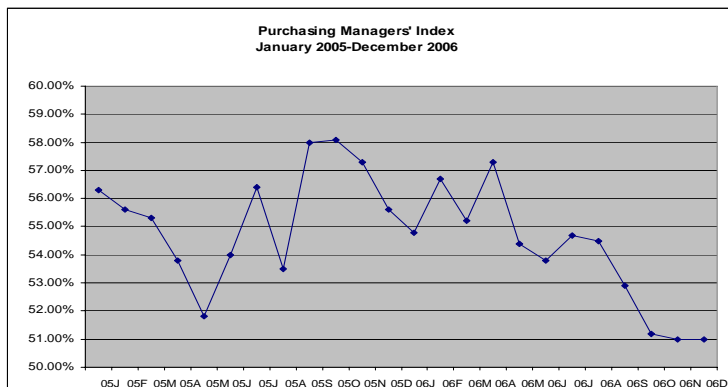
Consumer confidence improved during the early months of 2006, began to weaken during the latter half of the year, but overall demonstrated more stability than in 2005. The Conference Board, a private business membership and research group, produces a monthly Consumer Confidence Index, based on household surveys that ask



consumers to appraise current economic conditions. Beginning in the summer and continuing into the fall months, survey respondents shared slightly pessimistic outlooks regarding overall economic conditions and perceptions of less favorable job scenarios and business conditions in the near future. The University of Michigan Survey of Consumer Sentiment also noted a drop in consumer confidence in November 2006, although the survey also noted that 2006 consumer confidence ratings in general were higher than in 2005.

Business Activity/Housing

Over a twelve month period, (October 2005 to October 2006) manufacturing



production as measured by the Federal Reserve increased by 4.1%, compared to 3.2% in the previous twelve month period. Much of this increase was seen during the strong first quarter of 2006. Since July, manufacturing production has remained flat; in October orders for durable

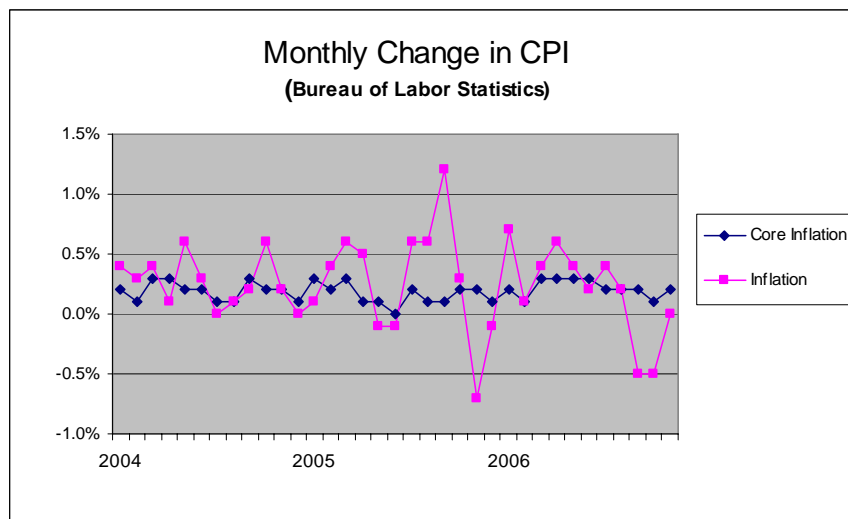
goods suffered their largest percentage decrease since July 2000. The Institute of Supply Management has reported similar trends with regards to manufacturing. Its Purchasing Manager's Index (PMI), a composite index that considers such factors as factory production, detected slower growth in the

manufacturing sector during the latter part of the year with actual contraction in manufacturing activity in November. A PMI in excess of 50% generally indicates that the economy is expanding, while a reading of less than 50% indicates it is contracting.

Many forecasters pointed to the cooling housing market during 2006 as a primary cause for both slumping GDP growth and decreased construction activity and employment. According to the National Association of Realtors, sales of existing homes fell in 38 states during the summer. The Census Bureau reported that housing starts fell 27% from October 2005 to October 2006.

Inflation & Interest Rates

A cooling economy, higher interest rates and falling energy prices all appeared to provide a combined dampening effect on inflation and consumer prices during the latter half of 2006. The Consumer Price Index (CPI), a measure of the average change in prices over time for a specific group of goods and services, actually fell in the months of September and October. In particular, energy prices fell 7% in both months. The transportation index portion of the CPI, which includes fuel as well as new and used vehicles and airline fares, declined 4% in September and another 3% in October. The core inflation rate, which excludes



food and energy costs, actually increased slightly during 2006 (2.9% increase from October 2005 to October 2006, compared to 2.0% over the previous annual period). But the reductions in energy costs were significant enough to drive the overall inflation rate to below 2% on an annual basis by late 2006. The improved inflation outlook will likely mean no additional interest rate increases in the near future. The Federal Reserve raised short term rates from 1% in June 2004 to 5.25% in June 2006. Rates have held steady since June.

NORTH CAROLINA

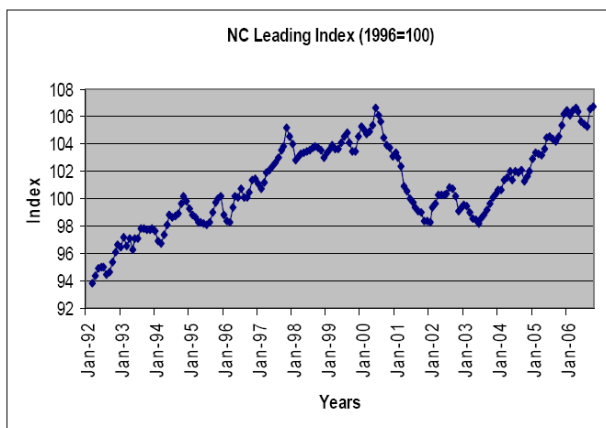
The North Carolina economy reflected the national economy in terms of overall economic output, with slower growth in overall state economic output (GSP) as compared to 2005. Similarly to national data, the statewide unemployment rate improved from 5.3% in October 2005 to 4.7% in October 2006. Statewide

personal income growth of 3.8% through the first half of the year was comparable to the national income growth rate of 3.9%. The state wide economy managed to keep pace with the national economy in job growth percentages, with statewide non-farm employment growing by 1.1% since January, compared to 1% nationwide. Total non-farm employment managed to return to figures seen prior to the 2001 recession.

In a state-wide economic profile, the FDIC (Federal Deposit Insurance Corporation) noted that high-tech industries were beginning to add jobs again after significant job shedding during the 2001 recession. The state also appeared to skirt much of the national housing slow down, with sales of existing homes up 11% during the year ending second quarter 2006.

NC Coincident & Leading Indices

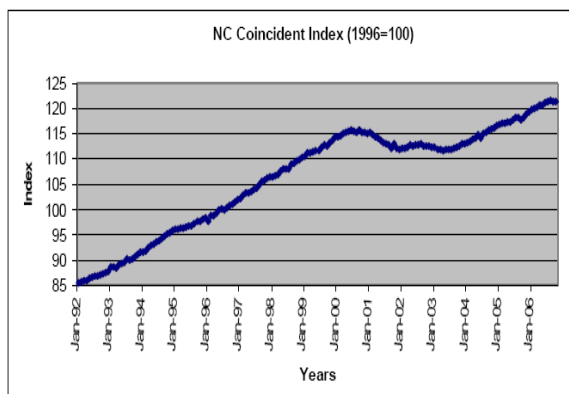
The Employment Security Commission of North Carolina prepares two indices – the NC Leading Index (NCLI) and the NC Coincident Index (NCCI) – to gauge present and future economic conditions.



The NCLI combines data from the US Leading Index and North Carolina manufacturing hours, initial unemployment claims, and residential building permits into an index that tends to project economic conditions in the near future. Declining economic conditions are projected if the six month percent change in the NCLI is between 0% and -2.1%, with -2.1% indicating a severe decline.

Positive conditions are forecast when the six month percent change is between 0% and 2.1%, with 2.1% suggesting strong growth.

The Leading Index fell each month from May through August, anticipating a slow down in the state economy towards the latter half of the year.



However, the Leading Index did improve in September and October, driven by increases in the average weekly hours in manufacturing. The past two monthly improvements managed to push the six month average (April through October, 2006) to 0.1%, indicating a projection of “very weak growth.”

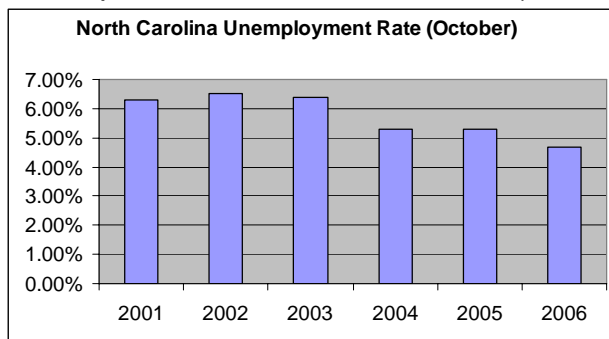
The Coincident Index (NCCI) uses data on non-agricultural employment, industrial production, and national retail sales to assess current conditions. A six month percent change in the NCCI between -3.5% and 0% indicates conditions are currently declining, with -3.5% indicating severe decline. A percent change between 0% and 3.5% suggests improving conditions, with 3.5% signaling strong current growth.

The Current Index remained unchanged during the months of September and October and recorded a six month average (April through October 2006) of 0.6%, again placing in the “weak growth” category. This served as another statistical indicator that the state’s economic improvement is evident but not particularly robust at this point.

Employment/Unemployment Rate

By October 2006, the state wide unemployment rate had fallen to 4.7% from 5.3% in October, 2005. This rate, though improved over the previous year, was still above the national unemployment rate of 4.4%.

Total non-farm employment increased about 1.6% from October 2005 through October 2006. Those industries showing employment gains during this twelve month period included Construction (+4.4%), Professional and Business Services (+2.0%), Educational and Health Services (+3.1%), Financial Activities (+3.7%) and Leisure and Hospitality Services (+3.3%).

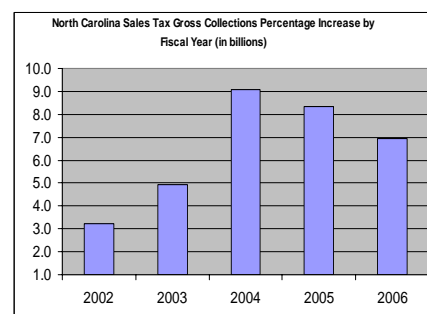


Manufacturing, Transportation, Trade, Utilities and Information Services posted either net losses in jobs or only slight gains. Within the Manufacturing Sector, some specific product areas showed

slight employment gains, such as fabricated metals, transportation equipment and food manufacturing. Others, such as furniture and related products, textiles and apparel manufacturing, took the brunt of the job losses. Projections for 2007 anticipate minor job growth throughout the state with the unemployment rate expected to remain between 4.5% and 5.0%.

Retail Sales

During FY 05-06, statewide retail sales slowed somewhat as compared to the last two years, but continued a general path of improvement being demonstrated since 2002. The North Carolina Department of Revenue reported that total gross collections for statewide sales tax were \$2.78 billion for FY 05-06. This was an annual increase of just under 7% for the year. Through September 2006 (latest data



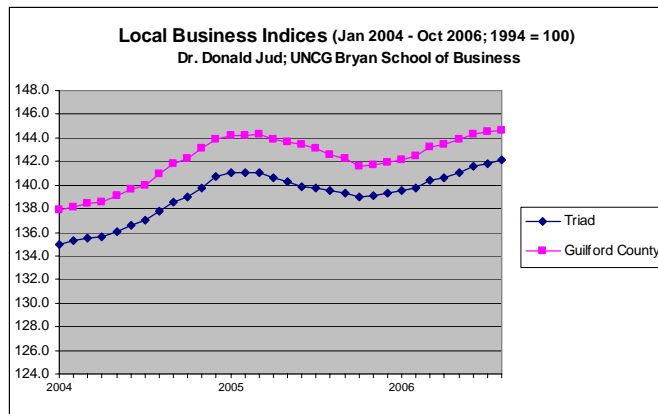
available), gross collections statewide were up 6.2% over the same period last year.

THE TRIAD

Along with the state and nation, the Piedmont Triad area saw a drop in the unemployment rate during 2006, although it remained stubbornly higher than unemployment rates in other comparable urban areas around the state. As of October 2006, the Greensboro-High Point MSA unemployment rate was 4.6%. Other metro notables included Charlotte (4.5%), Durham (3.7%), Raleigh-Cary (3.3%) and Winston Salem (4.1%).

Triad & Guilford Business Indices

The Piedmont Triad Business Index, compiled by the Bryan School of Business and Economics at the University of North Carolina at Greensboro, measures the level of economic activity and changes in leading economic indicators in the eight-county Piedmont Triad area. The index compiles data on items such as building permits, claims for unemployment insurance and total employment. A similar index, the Guilford County Business Index, is published to assess the level of activity in Guilford County. Both indices began to fall in late 2005, foretelling slower economic growth during 2006. Economic activity as measured by the index did show improvement during 2006. Each month in 2006 has recorded positive, if only slight, growth as compared to the previous month.



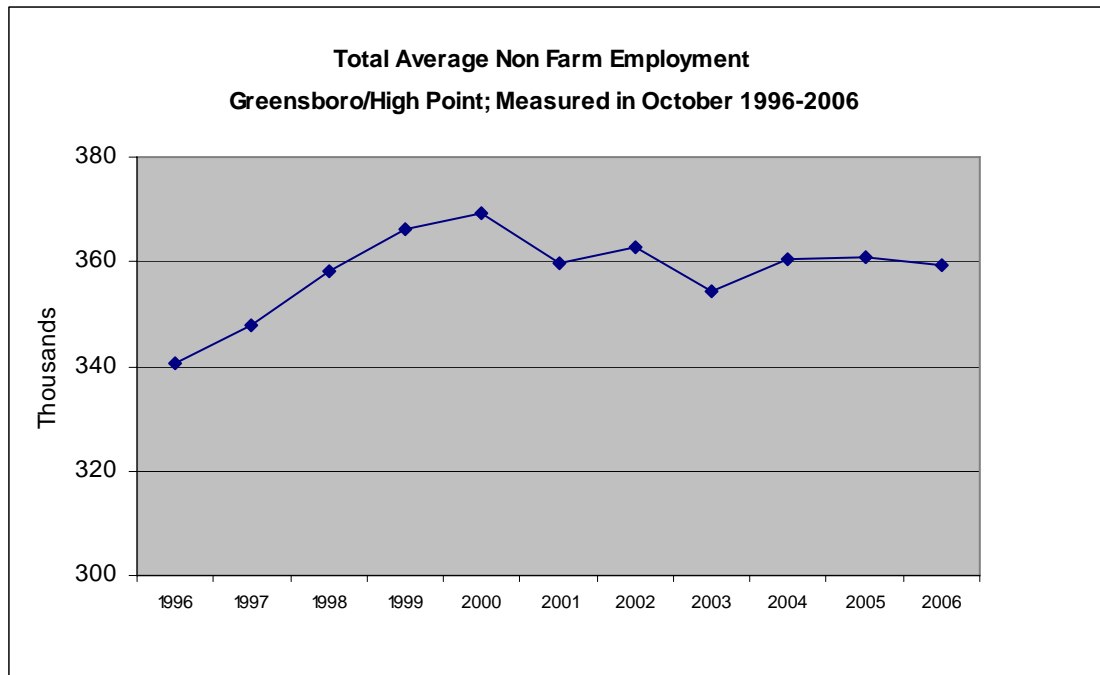
Retail Sales

According to the state department of revenue, total gross state sales tax collections in Greensboro were 4.4% greater in FY 05-06 as compared to FY 04-05. Through September 2006 (latest data available), gross state sales tax collections are 7.2% higher than the first three months of FY 05-06. For Guilford County, gross collections were 1.9% higher in FY 05-06 than FY 04-05, compared to an 8.3% increase in FY 04-05 as compared to FY 03-04.

Employment

Based on information from the US Department of Labor (Bureau of Labor Statistics), total average non-farm employment in the Greensboro/High Point region remained essentially static during 2006, as measured during October.

Around the state's other urban areas, overall non-farm employment growth ranged from slow but positive (Winston Salem – 1%; Charlotte Metro – 2%) to strong (Raleigh – 4%).



SUMMARY

Through a two year campaign of increased interest rates, the Federal Reserve had hoped for a gradual economic slowdown that would contain inflation without bringing on a recession. Generally, the national economic data for 2006 would suggest that this goal was met. GDP growth and consumer spending slowed during 2006, while the housing market endured a significant reduction in activity. The economy did manage to create some new jobs overall, with unemployment levels finally falling to ranges seen before the 2001 recession.

Most outlooks for 2007 anticipate an economy that will continue to grow but perhaps at even a slower level than was seen in 2006. Most economic forecasts project GDP growth around 2.5% during 2007, with a slight increase in unemployment. The current slump in housing construction and sales will continue to have a negative impact of job growth in related industries. However, lower energy prices should help with overall inflation and may help postpone any additional interest rate hikes in the near future.

For North Carolina, economic projections are slightly better than national predictions, but still with slightly less statewide economic growth projected for 2007 than was experienced in 2006. The statewide housing market is in better shape than the national market and employment growth experienced in 2006 should continue during 2007. In general, projections for the Triad economy are

less optimistic than the state as a whole but improvements are expected in employment and real wages.

In preparing a budget for the next fiscal year, it is important to be cognizant of the various economic trends, both current and projected, and their potential impact on both the community and organization. Consumer spending, job growth (or the lack thereof), interest rate changes and changes in the local and state wide housing market all have the potential to affect local government's ability to support services and a community's ability to pay for them. While the City cannot control these trends, it can attempt to mitigate their impacts on current and future city operations through conservative budget projections, contingency planning, and maintaining a focus on the organization's long-term goals.

Sources of data: US Department of Commerce (Bureau of Economic Analysis); *The Economist*; The Federal Reserve Bank; National Association for Business Economics; US Department of Labor (Bureau of Labor Statistics); United State Census Bureau; National Association of Realtors; Federal Deposit Insurance Corporation; The Conference Board; University of Michigan Survey of Consumer Sentiment; Institute of Supply Management

Employment Security Commission of North Carolina; University of North Carolina at Greensboro (Dr. Donald Jud, Bryan School of Business and Economics) North Carolina Department of Revenue; North Carolina State University (Dr. Michael Walden, Department of Agricultural and Resource Economics); University of North Carolina at Charlotte (Dr. John Connaughton, Belk School of Business); North Carolina Bankers Association 2007 Economic Forecast Forum.

Greensboro Demographics

POPULATION

From FY 01- 02 to FY 05-06 Greensboro's population grew by nearly five percent or an average of 1.2 percent per year.

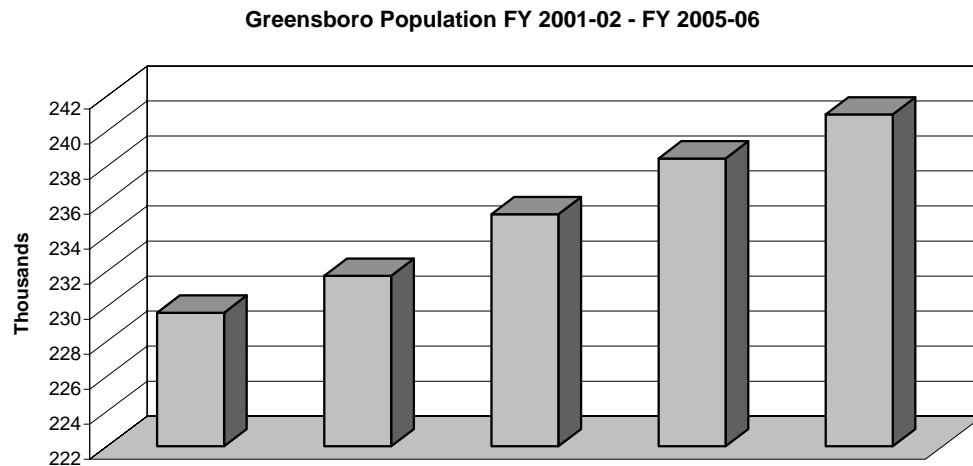
Description

An awareness of changes in population supplies a basic yardstick for estimating service and space needs. A rapidly growing population is likely to mean an increase in the demand for public services. In addition, changes in population can have an effect on the amount of intergovernmental revenues the city receives because many state-shared revenues are distributed on a per capita basis.

Analysis/Data

The population of the City of Greensboro increased 4.9% (229,634 to 240,955) between FY 2002 and FY 2006 or an average of 1.2% per year. This growth includes the addition of 2,580 residents added through a city-initiated annexation in FY 2005. Excluding the annexation's impact, the City's base population grew by only 3.8% over the five year period.

NOTE: Population figures are estimates provided by the Planning Department.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Population	229,634	231,743	235,262	238,440	240,955
% Change		0.9%	1.5%	1.4%	1.1%

Source: City Planning Department

Greensboro Demographics

PER CAPITA PERSONAL INCOME

Per capita personal income (PCPI) in the Greensboro-High Point area increased 6.7% from 2000 to 2004.

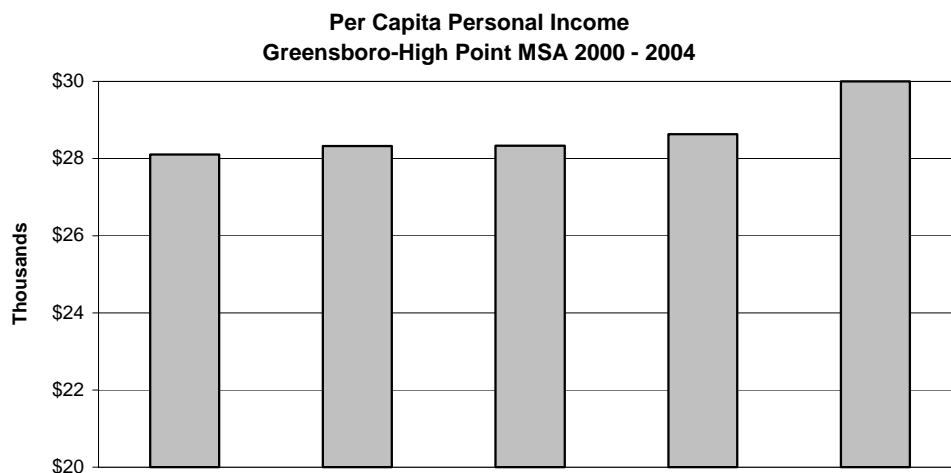
Description

Per capita personal income (PCPI) is determined by dividing the total income of the population in the selected area by the total number of people in the area. This indicator is one measure of a community's ability to raise funds. As PCPI rises, so does the city's ability to generate certain types of revenues (e.g., sales taxes, property taxes).

Analysis/Data

Per capita income in the Greensboro-High Point MSA increased 6.7% (1.7% annually on average) from \$28,103 in 2000 to \$29,999 in 2004. Growth averaged less than 0.5% annually from 2000 to 2002, but exhibited some improvement climbing 1.0% in 2003 and 4.8% in 2004. Data after 2004 is not yet available.

The total growth in PCPI from 2000-2004 in the Greensboro-High Point MSA lagged behind the 8.3% growth witnessed in the state as a whole. Although Greensboro's growth in PCPI was higher than that of the Raleigh-Cary MSA (2.5%), it trailed the growth rates of the Durham MSA (8.2%), the Charlotte-Gastonia-Concord MSA (8.2%), and the Winston-Salem MSA (7.9%). In addition, Greensboro had the lowest PCPI among the major MSA in the State; trailing Charlotte-Gastonia-Concord (\$34,816), Raleigh-Cary (\$34,498), Durham (\$33,011) and Winston-Salem (\$31,645).



	2000	2001	2002	2003	2004
GSO-HP MSA	\$ 28,103	\$ 28,326	\$ 28,334	\$ 28,629	\$ 29,999
Annual % Change		0.8%	0.0%	1.0%	4.8%
Total % Change					6.7%

Source: U.S. Bureau of Economic Analysis

Greensboro Economic Climate

EMPLOYMENT

Both the local and state unemployment rate has improved during the past three years.

Description

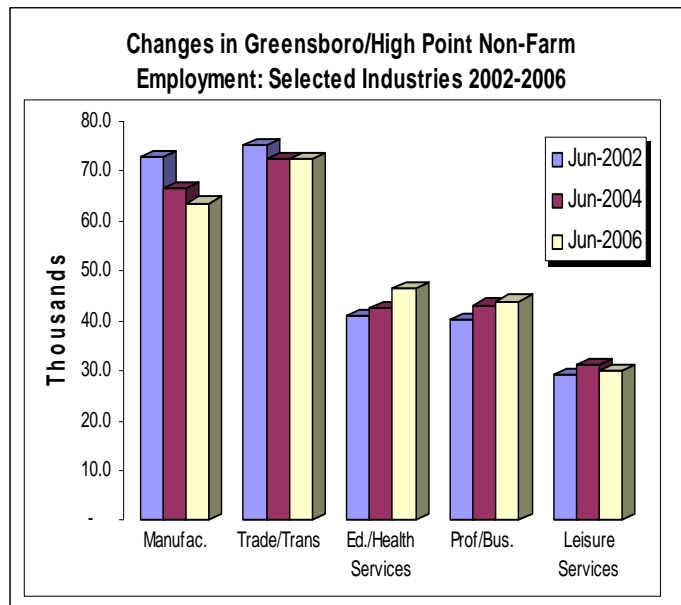
Changes in the rate of employment of the community's citizens are a measure of the community's ability to support its local business sector.

A decline in employment base as measured by lack of employment can be an early warning sign that overall economic activity and governmental revenues may be on the decline.

Analysis/Data

According to North Carolina Employment and Security Commission, the Greensboro/High Point's MSA region unemployment rate has improved over the past three years, dropping from 7.1 in 2003 to 4.9% in 2006 (measured in June of each year). The area's unemployment rate remains high, however, when compared to other metro areas such as Durham (3.9%), Raleigh-Cary (3.6%) and Winston Salem (4.4%).

As evidenced in the chart shown, both job growth and job losses have occurred in the local region in various major industry categories. Based on figures provided by the Employment Security Commission, jobs classified as "manufacturing" declined from roughly 73,000 in 2002 to approximately 63,600 in 2006. Job growth was evident, however, in categories such as education and health services and professional and business services.



Greensboro Economic Climate

ASSESSED PROPERTY

With continued slow growth in the tax base, funds for new or significantly enhanced services are limited.

Description

Property value is significant due to the property tax being one of the City's largest revenue sources. With Greensboro maintaining a relatively stable tax rate, the higher the aggregate property values, the higher the generated revenue.

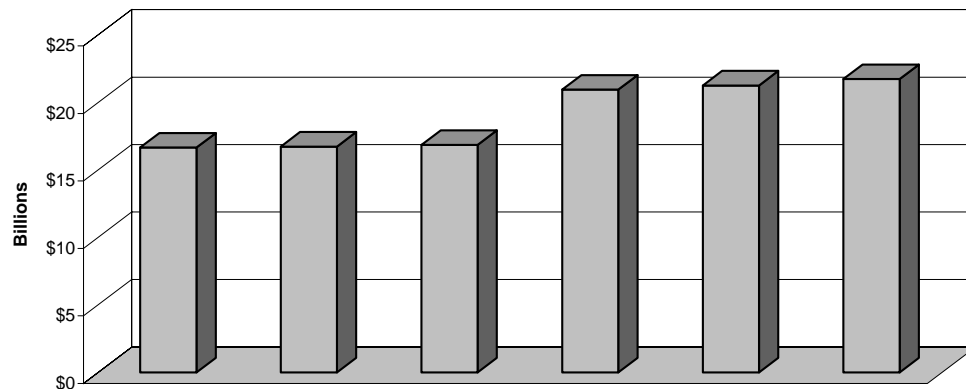
Analysis/Data

Annual growth rates of 5% seen in the late 1990's were replaced by an average growth rate over the last five years of approximately 1.25% (excluding FY 04-05).

FY 04-05 experienced a growth rate of over 24% due to the property revaluation conducted by the County every eight years. State statute requires that governmental jurisdictions publish a "Revenue Neutral Tax Rate" during a revaluation. This rate represents the rate reduction necessary to offset the impacts of revaluation.

Since FY 01-02, the annual tax base increase (exclusive of revaluation) has ranged from 0.5% to 2.3%. A slight improvement in assessed valuation is projected for FY 06-07 with an anticipated growth rate of 2.0 - 2.5%. However, even this improved growth rate trails the growth rates previously seen in Greensboro and is below growth rates currently experienced in other North Carolina metro areas of similar population.

**Greensboro Assessed Property Values
FY 2001-02 - 2006-07**



	FY 01-02	FY 02-03	FY03-04	FY 04-05	FY 05-06	FY 06-07 (Projected)
Net Assessed Value (billions)	\$ 16.7	\$ 16.7	\$ 16.9	\$ 21.0	\$ 21.3	\$ 21.7
Annual % Change		0.5%	0.8%	24.3%	1.4%	2.3%

Source: City of Greensboro 2006 Comprehensive Annual Financial Report & 2006-07 Annual Adopted Budget

* Denotes property revaluation year.

Greensboro Economic Climate

INFLATION

The Consumer Price Index grew during the past twelve months; however, that growth was tempered by declining transportation costs during the latter part of the year.

Description

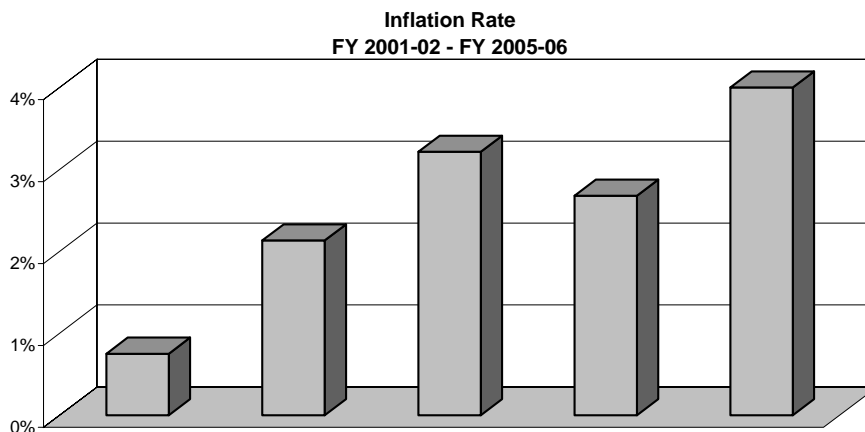
The Consumer Price Index (CPI) is a widely recognized and used measure of price level changes for consumer goods and services. It is based on a weighted average of prices for a market basket of goods from seven different categories: food, housing, apparel, transportation, health, education/communication and recreation. Stability in price level is generally beneficial and continued low rates of inflation indicate a positive trend.

Analysis/Data

The annual change in the Southern Urban CPI from FY 2001-02 through FY 2005-06 has been relatively low, with the highest during FY 05-06 at 4.5%. The average annual increase of inflation from FY 2001-02 to FY 2005-06 has been 2.7%.

The FY 05-06 inflation rate is 69% above last year's rate. This number, on average, reflects higher costs in all CPI categories. It is important to note that the transportation category began to fall during the latter part of the year in large part due to the decreasing cost of gasoline.

Within the city's budget, gasoline and diesel fuel expenses have increased by only 1.13% or \$24,948 during the first six months of FY 06-07 when compared to the first six months of FY 05-06. In contrast, there was a 39% increase in fuel expenses between the first six months of FY 04-05 and FY 05-06.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
CPI	173.5	177.2	182.9	187.8	196.3
Rate of Inflation	0.75%	2.13%	3.22%	2.68%	4.53%

Source: Bureau of Labor Statistics, Southern Urban CPI

Greensboro Revenues

PROPERTY TAX

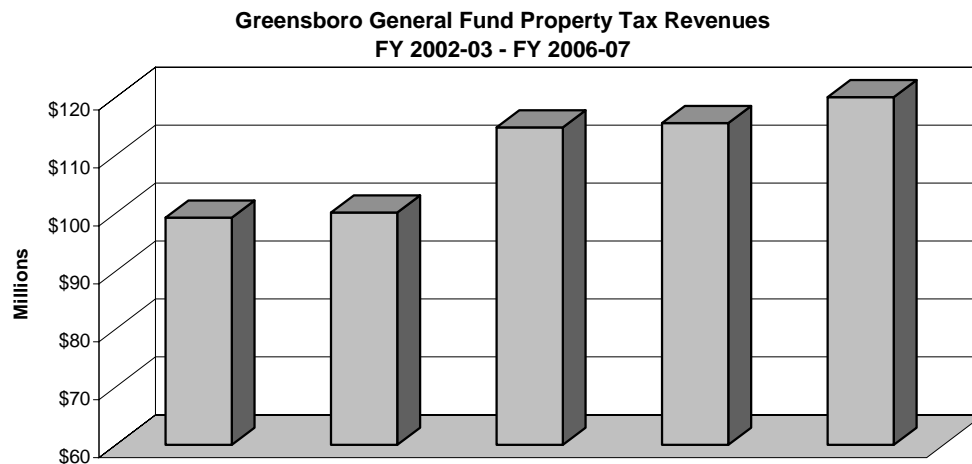
Property tax revenues have realized little growth in the last three years, placing constraints on the General Fund budget.

Description

The property tax typically accounts for about one third of all net revenues collected by the City of Greensboro. Within the General Fund, the property tax represents over half of the total revenues needed for basic municipal operations. The 06-07 adopted property tax rate is 61.50 cents per \$100 of assessed value (58 cents - General Fund; 3.50 cents – Transit Fund).

Analysis/Data

Property tax revenue growth has struggled to reach 1.0% annually since 2002 (note: FY 04-05 was re-valuation year for Guilford County, including property within Greensboro.) This continued slow growth has necessitated tax rate increases to support any significant program or service expansions. This pattern will likely continue in the near future as the City plans for additional facilities such as fire stations and additional debt service costs to be incurred from long term borrowing approved by the voters in 2000 and 2006.



General Fund	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07 Projected*
Property Tax (millions)	\$ 99.2	\$ 100.1	\$ 114.8	\$ 115.5	\$ 124.8
Revenue per Penny	\$ 1,660,430	\$ 1,675,025	\$ 2,087,591	\$ 2,109,381	\$ 2,152,122
% Change in Revenue per Penny		0.9%	24.6%	1.0%	2.0%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2005-06

* Denotes property revaluation year.

Greensboro Revenues

SALES TAX

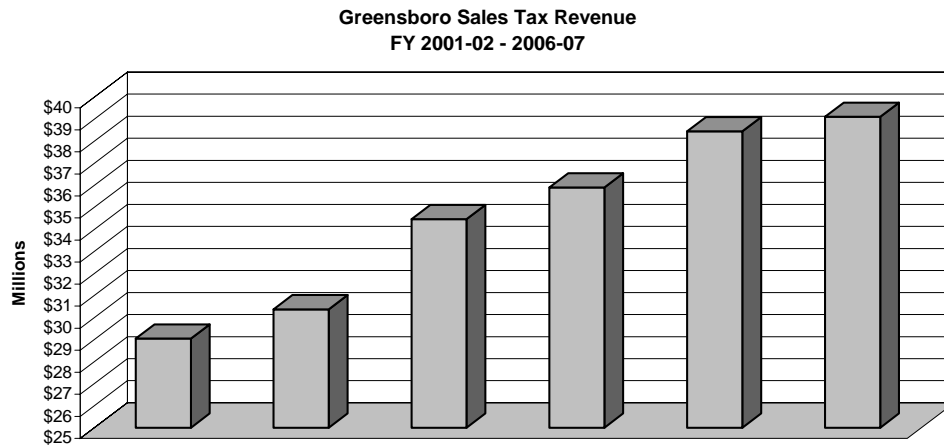
Gradually improving sales tax revenue may be evidence of an improving economy.

Description

The State of North Carolina grants local governments the authority to levy a local sales tax of up to 2.5%, with the state sales tax currently at 4.5%, excluding tax on unprepared food. Guilford County levies the full 2.5% allowed by state law with Greensboro receiving sales tax revenues based on a statutory ad valorem formula. Sales tax revenue is positively correlated with local and statewide economic growth and output and is an excellent indicator of general economic conditions.

Analysis/Data

Sales tax revenue overall showed improvement during FY 05-06 due to improved statewide sales tax collection and a slight increase in the City's proportion of the county wide distribution. Statewide receipts increased 8% over the previous year, while local retail sales tax collection increased 1.7% over FY 04-05. For FY 06-07, overall sales tax revenues are budgeted only about 2% above previous year's actual revenue. Statewide receipts growth is projected to be lower in FY 06-07 as compared to FY 05-06 and the city's proportion of the county wide allotment will drop slightly due to Greensboro, High Point and Guilford County tax rate changes in FY 05-06.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07 Projected
Sales Tax Revenue (millions)	\$ 29.0	\$ 30.4	\$ 34.5	\$ 35.9	\$ 38.4	\$ 39.1
Annual % Change		4.6%	13.5%	4.2%	7.1%	1.7%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2005-06
Source: City of Greensboro Financial Systems

Greensboro Revenues

USER FEES, LICENSES AND PERMITS

User fees, licenses and permits represent the largest revenue category in Greensboro, with significant growth during the last two years.

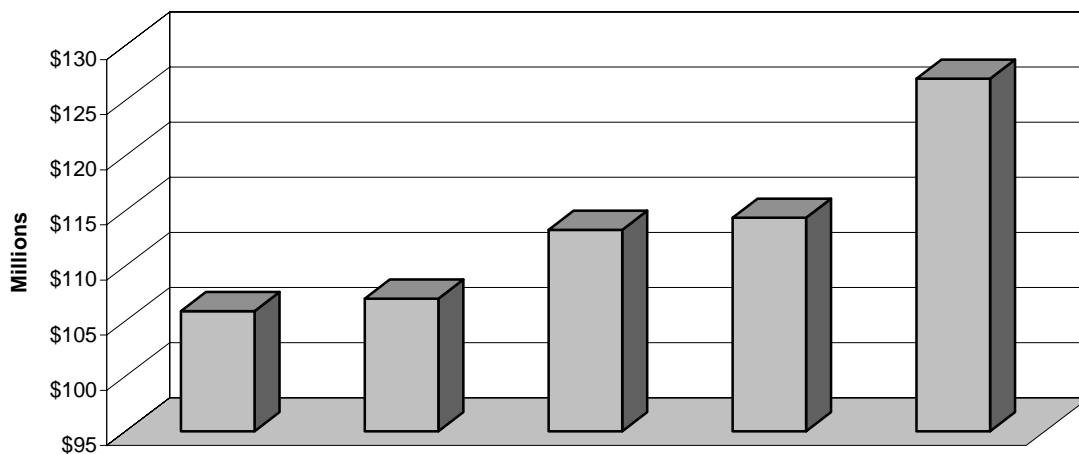
Description

These revenues represent charges for City services that are provided by departments typically operating as enterprises in separate funds. Examples include water and sewer charges, landfill tipping fees, parking fees and Coliseum fees. Revenues from fees, licenses and permits represent approximately 33% of the net revenues for the City of Greensboro, making this the largest revenue category supporting municipal services.

Analysis/Data

A variety of user fee revenues have increased noticeably during the past three years, with FY 05-06 seeing a particular spike in revenues. A \$9.4 million (15.3%) increase in Water Resources user fee revenue combined with \$2.9 million increase (37.6%) increase in Coliseum user fee revenue to drive an overall 11% increase in FY 05-06. Parks and Recreation Admissions and Charges increased from \$1.45 million in FY 03-04 to \$1.78 million in FY 05-06, in large measure due to the opening of the Sportplex and the new pool at Bur-Mil Park. The re-opening of the Simkins Sports Complex has also generated improved indoor tennis fee revenue. Building permit revenue has increased from \$1.75 million in FY 03-04 to \$2.28 million in FY 05-06.

**Greensboro Fees, Licenses, and Permits Revenues
FY 2001-02 - FY 2005-06**



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Fee Revenue (millions)	\$ 105.9	\$ 107.0	\$ 113.3	\$ 114.4	\$ 127.0
% Change		1.1%	5.8%	1.0%	11.0%

Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2006-07

Source: City of Greensboro Financial Systems

Greensboro Revenues

INTERGOVERNMENTAL REVENUE

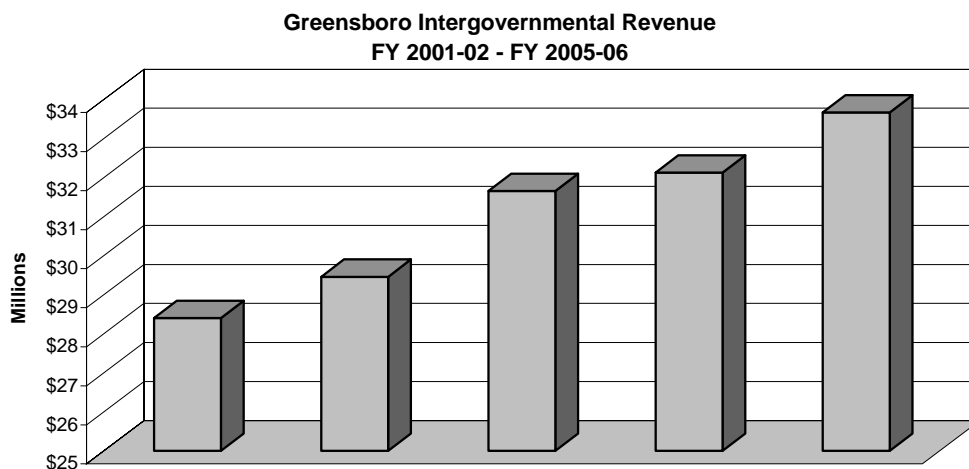
Revenues are gradually increasing but still remain below 2001 levels.

Description

This revenue category includes all federal, state or other local government funds that are received by the City, including revenues collected by the State of North Carolina and returned to local governments, such as the Beer and Wine Tax and various Utility and Franchise Taxes.

Analysis/Data

From \$36 million in FY 2000-01, intergovernmental revenue fell to below \$30 million in 01-02 budget with the State of North Carolina's elimination of the reimbursements for the inventory tax and intangibles. Intergovernmental revenue has gradually increased over the past four years, although still below 2001 levels. Intergovernmental revenues showing notable increases in FY 05-06 included federal support for Transit (increased \$413,000, or 22%) and ABC profit distribution (increased \$270,000, or 11%). Guilford County support for the Greensboro library system also increased from \$922,000 to \$1,322,000. There were slight reductions, however, in Natural Gas Excise Tax and Telecommunications Sales Tax Revenue.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Intergov. Revenue (millions)	\$ 28.4	\$ 29.5	\$ 31.7	\$ 32.1	\$ 33.7
% Change		3.7%	7.5%	1.5%	4.8%

Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2006-07

Greensboro Expenditures

EXPENDITURES PER CAPITA

With the exception of FY 04-05, expenditures per capita have remained steady over the past four years.

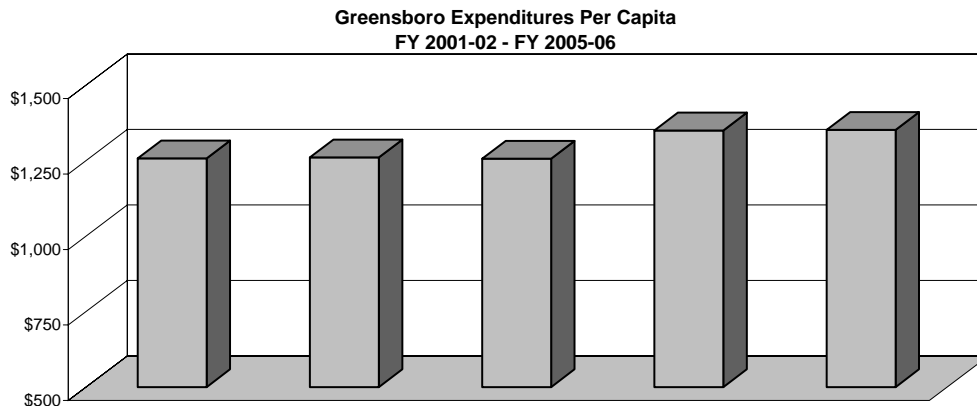
Description

Per capita expenditures reflect changes in expenditures in relation to changes in population. If expenditures per capita go up, it can indicate that cost of providing services is outpacing the City's ability to pay. If the increase in spending is more than can be explained from inflation or the addition of new programs, this can be indicative of declining productivity.

Analysis/Data

Expenditures per capita from FY 01-02 to FY 03-04 remained virtually unchanged. The loss of State-shared revenues and slumping property and sales tax revenues restricted program budget growth in many areas over this time period.

In FY 04-05, expenditures per capita increased by approximately \$100, a 7% increase, due to increases in Environmental Protection areas such as Water Resources and Stormwater Management. In FY 05-06, expenditures per capita essentially remained the same as in FY 04-05.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Total Net Expend.	\$ 288,783,464	\$ 292,188,272	\$ 295,625,788	\$ 321,912,642	\$ 325,793,466
Population	229,634	231,740	235,262	238,440	240,955
Exp Per Capita	\$ 1,258	\$ 1,261	\$ 1,257	\$ 1,350	\$ 1,352
% Change		0.3%	-0.3%	7.4%	0.1%

Sources: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems; NC Office of State Planning; Greensboro Planning Department.

Greensboro Expenditures

EMPLOYEES PER THOUSAND POPULATION ** includes all funds

Employees per thousand population are approaching the high for the trend period after experiencing a dip in FY 03-04.

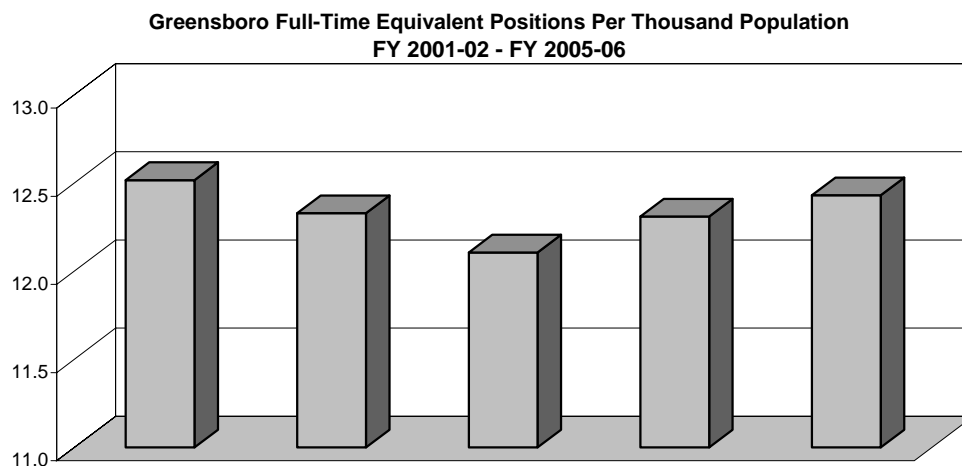
Description

Personnel costs remain a major portion of the City's annual operating budget. Analyzing changes in the number of full time equivalent (FTE) positions relative to the population is one way to measure changes in expenditures. An increase in FTE positions to population may be indicative that the City has become more labor intensive, that expenditures are growing faster than revenues, or that productivity is declining.

Analysis/Data

The employees per thousand population measure has remained relatively stable during the five year period, declining slowly from FY 01-02 to FY 03-04 before increasing for the next two fiscal years. One of the ways the City has been able to control the growth in the number of employees is by contracting with third party providers to operate or manage certain services. For example, the City was able to eliminate 42 FTEs over the last several years by means such as contracting with private vendors to operate Bryan Park and Coliseum concessions.

The increase in this measure for FY 05-06 is due to the addition of 30 full-time equivalent positions for fire station facilities (both new and merged operations); the addition of 13 new positions and two transfers for Guilford Metro 911; and 5 positions were added to the Solid Waste Fund.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
FTE Positions	2,874	2,857	2,848	2,935	2,995
Population	229,634	231,743	235,262	238,440	240,955
FTE/1000 Population	12.5	12.3	12.1	12.3	12.4

Sources: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06;
Greensboro Planning Department.

Greensboro Expenditures

PERSONNEL COSTS

The average increase in FTE costs over the trend period is about 3.4%, including both salary and benefits costs. While double digit benefits increases have occurred, lower average salary adjustments have mitigated some of the effect.

Description

Personal services costs (salaries) and employee benefits (life and health insurance premiums, retirement system contributions, FICA taxes, worker's compensation, tuition reimbursement and vehicle allowances) are the direct labor costs associated with delivery of City services.

Analysis/Data

FTE costs have increased an average of 3.4% annually over the previous five years. Certain salary and benefits costs have grown at faster rates during this time period, including Fire Department overtime expenses, health insurance fund contributions and workers compensation premiums. In addition, some classes of positions received market adjustments in their salaries during FY 04-05 and FY 05-06.

Personnel costs continue to be the largest category expense for the City of Greensboro. As a percent of net expenditures, these costs made up more than 50% of the budget for the first time in FY 05-06; the average over the period was 49.36%.

Throughout this five year period, salary range adjustments have been kept at particularly low levels, usually 2.5% to 3% on an annual basis. This has largely contributed to the slow cost growth per FTE positions, but likely contributed to some difficulty in hiring and retaining employees in selected positions. Market adjustments that occurred beginning in FY 04-05 to select positions have begun to reverse this trend.

Benefits costs have grown from \$30.2 million in FY 01-02 to more than \$40.3 million in FY 05-06. Health insurance premiums and workers compensation rates continue to escalate and FY 05-06 saw its first double digit increase in benefits costs overall at 10.4%.

	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Personnel Costs	\$ 139,856,197	\$ 143,888,045	\$ 147,634,397	\$ 155,663,739	\$ 165,970,622
Total Net Expend.	\$ 288,783,464	\$ 292,188,272	\$ 295,625,788	\$ 321,912,642	\$ 325,793,466
Personnel Costs/ Total Net Expend.	48.4%	49.2%	49.9%	48.4%	50.9%
FTE Positions	2,830	2,811	2,801	2,888	2,945
Cost per FTE	\$ 49,419	\$ 51,187	\$ 52,708	\$ 53,900	\$ 56,357

Sources: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06;
Greensboro Planning Department.

Greensboro Expenditures

MAINTENANCE & OPERATING COSTS ** includes all funds

After significant increases in FY 04-05, M&O for all funds decreases while the General Fund see growth of less than 1% in FY 05-06.

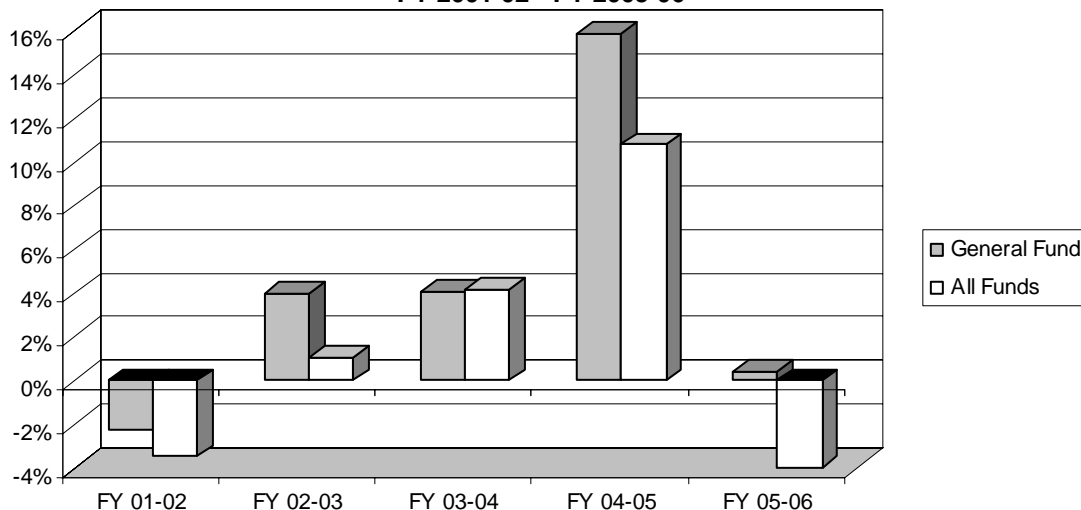
Description

Maintenance and operations (m/o) costs include supplies, fuel, technology leases, rental and maintenance of equipment, contractual services and all other similar expenses associated with daily operation and service delivery. Debt service payments for principal and interest owed on borrowed money and contributions to capital reserve funds (such as Water Resources and Solid Waste Capital Reserve Funds) also constitute maintenance and operations expenses.

Analysis/Data

Over the last five years, overall growth and growth in the General Fund has fluctuated significantly. After decreasing in FY 01-02 in both categories, expenditure growth held near 4% through FY 03-04. The significant growth that took place in FY 04-05 included increases to several other funds, including an additional \$5 million transfer to the State Highway Allocation Fund. In addition, increased debt service (over \$3.3 million) and a sizable increase in the transfer amount for Water Resources (\$5.8 million) occurred in FY 04-05. The transfer to Solid Waste Management also went up by more than \$5 million to replace revenues previously generated directly by the Solid Waste Fund (i.e. due to the elimination of the Solid Waste roll out container service fee). Fire service contract increases as well as increased expense to fully staff Carolyn Allen Park were also contributing factors. Lastly, the significant increases to fuel costs impacted this cost category in both FY 04-05 and FY 05-06. Despite increased fuel expenses, General Fund expenditures were nearly flat in FY 05-06, increasing just 0.4% while spending in the "All Funds" category actually dropped by nearly 4%. Much of the decrease can be attributed to reductions in the transfers from the Street & Sidewalk Fund and the Powell Bill Fund as well as decreases in the Stormwater and Solid Waste Management Funds.

**Annual Percentage Increase in M&O Costs
FY 2001-02 - FY 2005-06**



Greensboro Service Area Summaries

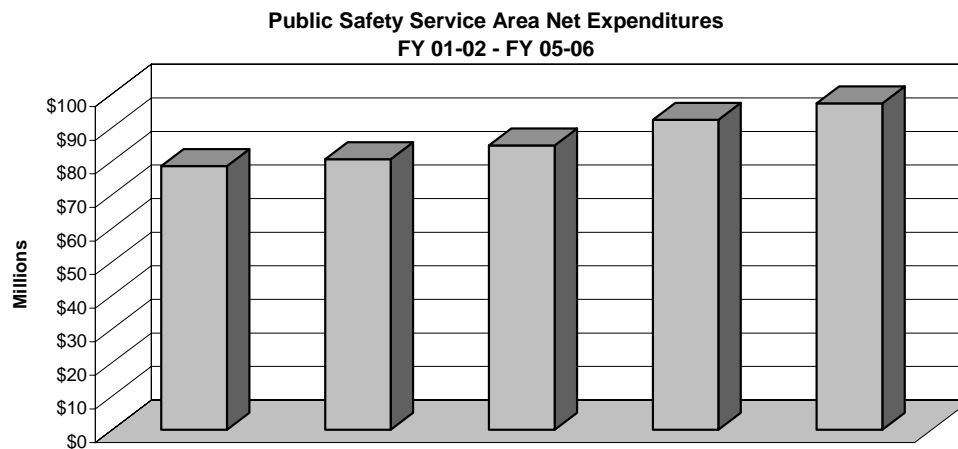
PUBLIC SAFETY SERVICE AREA SUMMARY

Public Safety operating expenditures have increased by an annual average of 5.5% between fiscal years 2002 and 2006.

Introduction

The Public Safety Service Area is comprised of Fire, Guilford Metro 911, Inspections and Police services, including the City's contribution to Guilford County's animal control and animal shelter programs.

As a direct result of Council's service priority goal of enhancing public safety efforts, this service area has experienced several enhancements over the measurement period, both in terms of personnel growth and technology enhancements. From FY 01-02 to FY 05-06, Public Safety expenditures increased 23.8%, or an average of 5.5% per year. During the same time period, 110 FTEs were added to this service area. This represents an increase of 9.5% over the last five years or an average of 27.5 positions each year.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 78,521,349	\$ 80,533,260	\$ 84,644,426	\$ 92,278,537	\$ 97,219,493
% Change		2.6%	5.1%	9.0%	5.4%

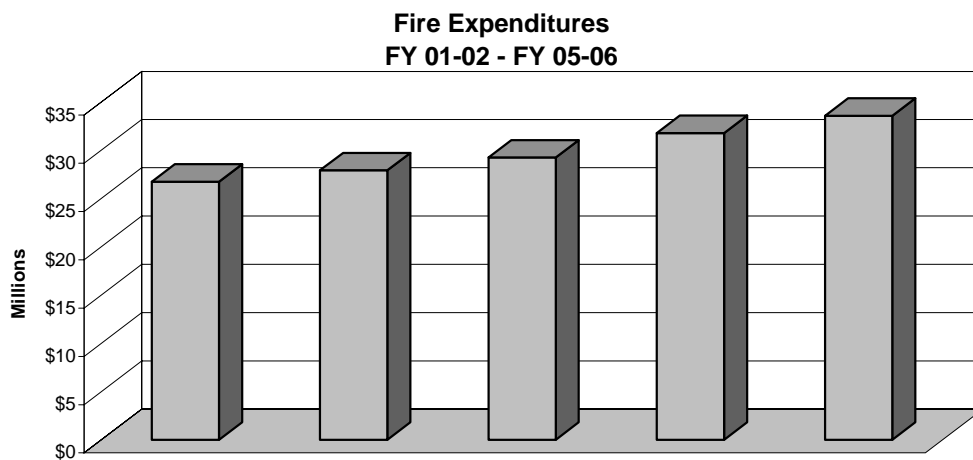
Source: City of Greensboro Annual Adopted Budgets, FY 2003-04 through FY 2006-07; City of Greensboro Financial Systems

There have been a number of organizational changes to take place since FY 01-02. In FY 04-05, Guilford Metro 911 was broken out from the Police Department and became a separate City department. This separation was made in preparation for the consolidation with Guilford County Communications that took place in FY 06-07. Also, prior to FY 03-04, the Emergency Management function was a consolidated

effort with Guilford County. In the fall of 03-04, the County chose to end the joint agreement, at which point Emergency Management was moved to the Fire Department. Emergency Management was moved again in the fall of 04-05 and placed under the newly formed Guilford Metro 911.

Fire

Over the last five years, Fire expenditures have increased from \$26.7 million to \$33.6 million, or 25.6%. This represents an average increase of 6.4% per year. During the same time period, staffing has increased by 47 full-time positions or 11.6%.



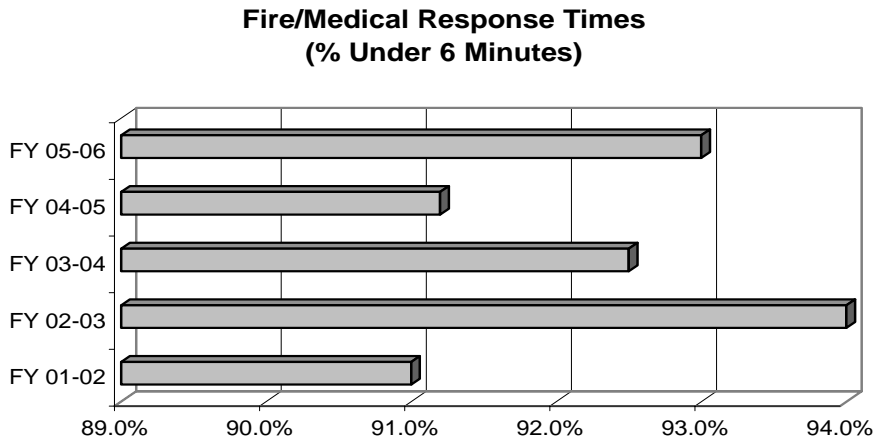
	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 26,739,167	\$ 27,907,728	\$ 29,235,475	\$ 31,765,647	\$ 33,572,537
% Change		4.4%	4.8%	8.7%	5.7%

Source: City of Greensboro Annual Adopted Budgets, FY 2003-04 through FY 2005-06; City of Greensboro Financial Systems

Most of the increases in spending levels and in personnel are from the need for new stations and equipment in order to maintain service levels as population increases and annexation occurs. The FY 01-02 and FY 02-03 budgets contained increases for the merger with the Guilford College station, including 11 additional firefighters while the FY 03-04 budget included increases for the Reedy Fork and Briarmeade annexations. The FY 04-05 budget included funding for a new station (15 additional positions, associated M&O, and one-time capital equipment purchases) as well as a new fire inspection unit needed as a result of city initiated annexations. FY 05-06 saw the opening of the Orchard Fire Station and the merger of Fire District 14 into the City's operations. The merger

had associated net costs of approximately \$343,000, but included an existing station, a truck and 15 firefighters.

These increases in expenditures have been critical as the Greensboro Fire Department continues to strive for meeting its objective of responding to 85% of fire/medical calls in less than six minutes. The following graph indicates that the Fire Department has been able to meet its goal of 85% for the entire trend period.



FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
91.0%	94.0%	92.5%	91.2%	93.0%

Source: City of Greensboro Annual Adopted Budgets, FY 2003-04 through FY 2005-06

In addition to the expenses listed above, Fire has funded improvements to its Self Contained Breathing Apparatus equipment (02-03); funded lease payments for two pumpers (01-02), a rescue unit (04-05), replacement of an engine (FY 05-06) and two pumper/aerial ladder trucks (04-05 and 05-06); and funded increases for the FLSA 2-in-2-out mandates (04-05).

Guilford Metro 911

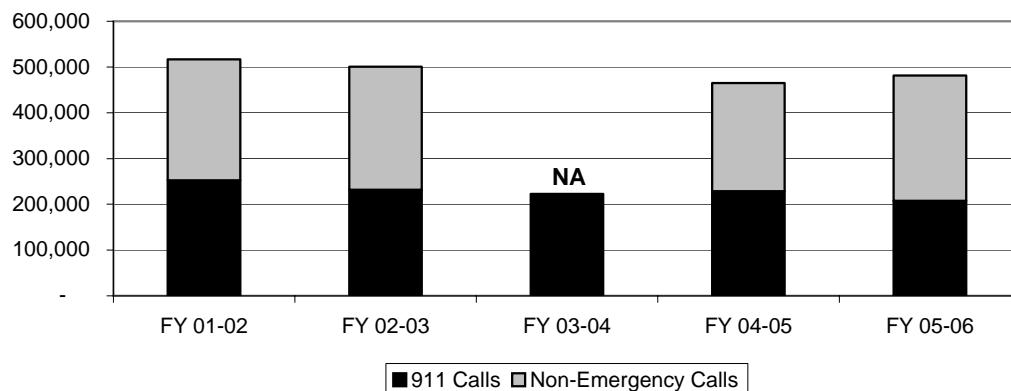
As discussed in the Service Area Introduction, Emergency Communications was separated from Police in early FY 04-05 in preparation for the consolidation with Guilford County Emergency Communications. Because the new Guilford Metro 911 officially consolidated with Guilford County Emergency Communications in FY 06-07, FY 05-06 will be the final year that calls and costs for the County are not included in the data.

At the time Emergency Communications was broken out from the Police budget in FY 04-05, the 54 positions that had been assigned to that division within the

Police Department became Guilford Metro 911 employees. Over the course of FY 04-05, an additional 15 employees were added or reassigned, increasing the total FTE count of Guilford Metro 911 to 69. The additional positions were as follows: 4 new Telecommunicator positions; 1 position for Emergency Management that was reassigned from Fire; 1 new GIS position; 1 Network Administrator position that was reassigned from Police; and 8 Telecommunicator positions that were hired as City employees after County positions were vacated. These positions answered only County emergency calls until the consolidation took place. The County reimbursed 100% of the expenses for those positions until that time. Similarly, 6 additional Telecommunicator positions were transferred from the County to Guilford Metro 911 during FY 05-06.

Expenses for Guilford Metro 911 totaled \$4,310,843 in FY 05-06. This represents an increase of 18.3% over total FY 04-05 expenditures of \$3,643,143. Most of this increase is due to the full year costs associated with the personnel increases discussed above.

**Metro 911
Emergency and Non-Emergency Calls**



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Total 911 Calls	252,175	231,788	222,524	228,622	207,473
Total Incoming Non-Emergency Calls	264,773	268,499	*	236,317	273,854
Total Incoming Calls	516,948	500,287	NA	464,939	481,327 #

* Information not available due to switch to VoIP

Estimate due to Line Logger malfunction from 11/2005 - 1/2006

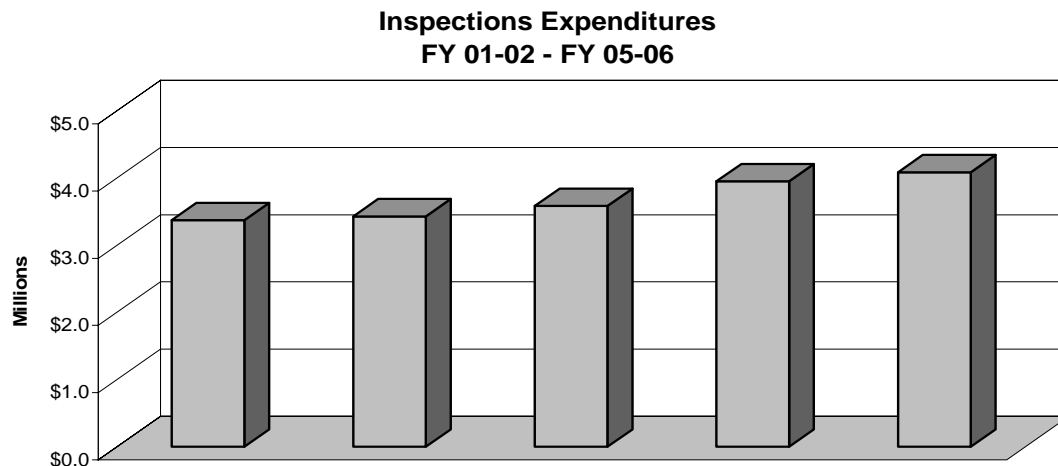
Source: City of Greensboro Guilford Metro 911

The above graph tracks the number of both Emergency and Non-Emergency calls that have come into Guilford Metro 911. In FY 01-02, the number of 911 Calls increased 8.6% over the previous year to reach the five year high. This figure fell 8.1% and 4.0% respectively in FY 02-03 and FY 03-04 before

increasing by 2.7% in FY 04-05. Despite this increase in FY 04-05, the Total Incoming Calls in this year decreased thanks to a decrease in non-emergency calls. This decrease can be partially attributed to the Contact Center beginning its operation in early FY 04-05, which helped divert some non-public safety calls away from Emergency Communications. The number of emergency calls decreased 9.3% in FY 05-06; however, the total number of incoming calls increased due to a 15.9% increase in non-emergency calls. Although part of this increase can be attributed to the requirement that 911 calls made through Voice Over Internet Protocol (VOIP) phone services be routed through non-emergency lines, it is possible that the increase is simply due to better tracking of non-emergency calls. Obtaining accurate figures regarding the number of non-emergency calls has been difficult in recent years due to technical problems with the Bellsouth Linelogger and the City transitioning to VOIP phone service.

Inspections

Expenditures in Inspections increased nearly \$713,000 or 21.1% from FY 01-02 to FY 05-06. This represents an average increase of 5.28% per year over the five year period. During the same time period, staffing increased by 3.25 FTEs or 6.4%.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 3,372,478	\$ 3,428,361	\$ 3,583,097	\$ 3,949,860	\$ 4,085,400
% Change		1.7%	4.5%	10.2%	3.4%

Source: City of Greensboro Annual Adopted Budgets, FY 2003-04 through FY 2005-06; City of Greensboro Financial Systems

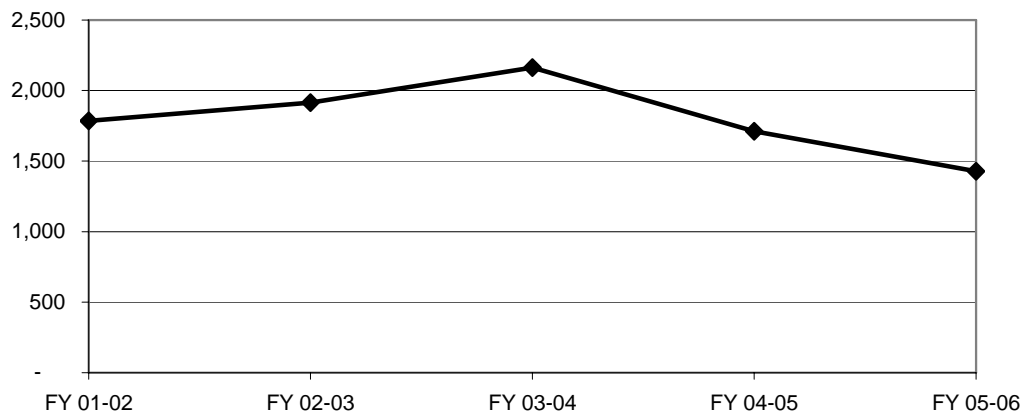
Expenditures increased 1.7% and 4.5% respectively in FY 02-03 and FY 03-04. Much of the increase in FY 03-04 is also directly related to new additions in Local Ordinance Enforcement. During this year, funds were added for 3 additional part time Local Ordinance Inspectors, 1 full time Administrative Staff person, and 3

additional vehicles. By adding these additional staff people, Inspections revised its departmental goal of removing 100% of abandoned vehicles within 10 days to 100% within 7 days.

Inspections expenditures increased by 10.2% or nearly \$367,000 in FY 04-05. Although this is partially a result of it being the first full year of the improvements listed above, Inspections also funded major renovations at the Cone Building and the moving expenses that were necessitated by Inspections vacating the old Main Library on Greene Street. Increased expenditures of 3.4% in FY 05-06 were driven primarily by increased costs for benefits.

The following graph shows the number of junked or abandoned vehicles that have been towed by Local Ordinance Enforcement over the last five years. The number of vehicles towed increased steadily from FY 00-01 to FY 03-04. The decrease in vehicles towed in FY 04-05 and FY 05-06 can be attributed to the additional enforcement discouraging people from leaving junked vehicles in yards and bringing vehicles within compliance standards.

Junked or Abandoned Vehicles Towed



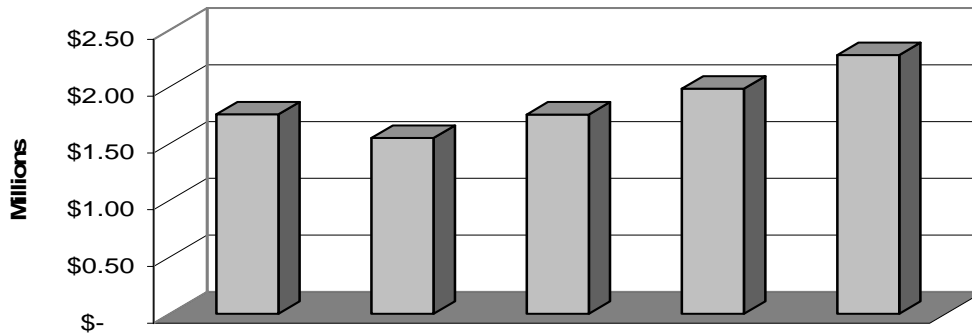
	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Vehicles Towed	1,786	1,916	2,162	1,712	1,428

Source: City of Greensboro Annual Adopted Budgets, FY 2003-04 through FY 2005-06; City of Greensboro Engineering and Inspections

Also, in an effort to improve the rental housing stock within the City, Inspections began issuing Certificates of Occupancy in January 2004. A Certificate of Occupancy is required for any rental unit beginning in July 1, 2007. Inspections issued 1,084 Certificates of Occupancy from January 2004 through June 2004; 4,489 Certificates in FY 04-05 and 5,289 in FY 05-06. Two years of data suggests that the number of condemnations has decreased as the number of Certificates of Occupancy issued has increased. This will continue to be monitored to determine if there is truly a correlation.

A noteworthy item of interest in the Building Inspections Division is the increased revenue stream experienced during the five year period. The graph below shows the trend. With the exception of FY 02-03, there has been double digit growth for the past three years. Budgeted revenues have been adjusted to account for this trend and the Division has surpassed its revenue projections for the last few years. At the end of fiscal year 05-06, there was a spike in activity when the

**Building Permit Revenues
FY 01-02 - FY 05-06**



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Building Permits	\$ 1,756,663	\$ 1,547,467	\$ 1,755,098	\$ 1,982,450	\$ 2,278,095
% Change		-11.9%	13.4%	13.0%	14.9%

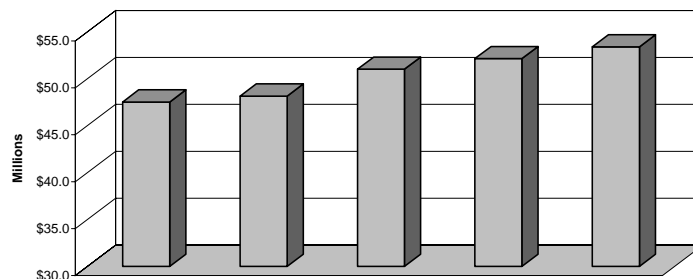
Source: City of Greensboro Annual Adopted Budgets, FY 2003-04 through FY 2005-06; City of Greensboro Financial Systems

greatest number of permits ever experienced were issued. Inspections believes the spike had much to do with media announcements of building slowing due to large inventory and this, in turn, encouraged developers to get projects started quickly. During the first half of FY 06-07, building inspections revenues are up 41% as compared to the same period last year. This is mostly due to the impact of increased fees for services. Permits have been slowly declining during FY 06-07 to more normal patterns than were present at the end of FY 05-06.

Police

The Police department budget has seen significant growth over the five year review period. Much of this growth is due to increased staffing designed to respond to changes such as annexation, increasing service demand, and

**Police Expenditures
FY 01-02 - FY 05-06**



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 47,525,743	\$ 48,144,837	\$ 51,021,061	\$ 52,128,223	\$ 53,391,738
% Change		1.3%	6.0%	2.2%	2.4%

Source: City of Greensboro Annual Adopted Budgets, FY 2002-03 through FY 2004-05; City of Greensboro Financial Systems

downtown development. Although the Police Expenditures chart indicates that the departmental budget has increased an average of 3% per year, much of the actual growth within the department has been masked by the transfer of Emergency Communications. In FY 04-05, nearly \$3.4 million (and 54 positions) were transferred from the Police Department to create the Guilford Metro 911 Department. Had this transfer not taken place, the percentage increase in FY 04-05 would have been 8.8% and the average annual growth rate over the last five years would be 4.6%. In addition, the department would show an increase of 19.4% from FY 01-02 to FY 05-06 instead of 12.3%

The FY 01-02 budget included increases for 8 new grant funded Police Officers and 2 City funded Parking Enforcement Officers. In FY 02-03, the Police Department reduced its adopted budget by over \$385,000 in response to the budget crisis created by revenues withheld by the State. These cuts included the elimination of the following positions: 1 Community Relations Specialist; 1 SOAR Program Coordinator; 1 Police Planner; 1 Case Processor; and 3 positions in the DARE Program. As a result of these reductions, expenditures in this year only increased by 1.3%.

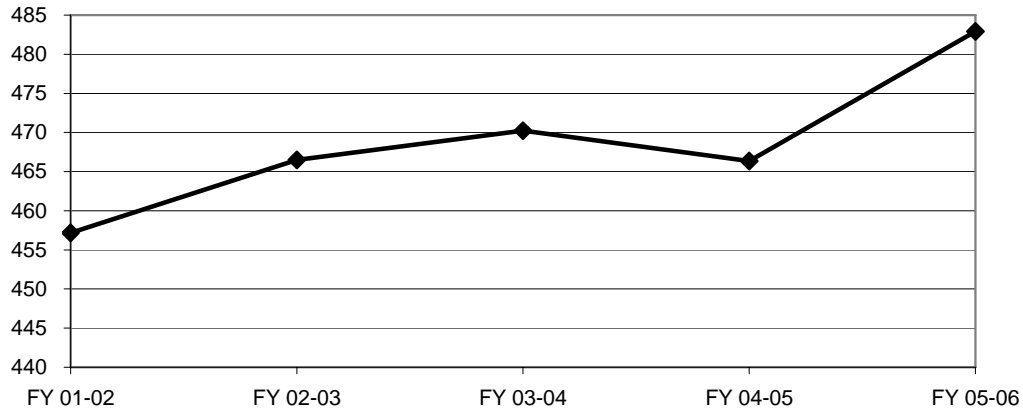
The 6% increase in expenditures in FY 03-04 included funding for the following 8 new positions: 1 Homicide Detective, 2 additional Computer Crimes Detectives, 3 Mobile Response Team positions, and 2 non-sworn Records Clerks. Six (6) additional vehicles were also purchased during this time period.

In response to a staffing study conducted in collaboration between the Police Department and Budget & Evaluation, the FY 04-05 budget included funding for 32 additional Police Officers and 4 patrol vehicles. Other positions added this year include 2 additional Police Officers related to annexation; 2 Downtown Walking Patrol Officers; 4 Grant Funded Traffic Enforcement Officers; 3 County funded School Resource Officers; and 1 Evidence Technician. Additionally, 8 patrol vehicles and \$300,000 for a Career Enhancement Program were included in the budget. Due to the scheduling of the two Police Training Academies and the time required to hire these positions, only a portion of the full impact of these enhancements was realized in the FY 04-05 budget.

The 2.4% increase in expenditures in FY 05-06 included funding for a Career Advancement Program for police officers and \$400,000 for overtime pay which had historically been handled with compensatory time. Additional funding was also included for market pay adjustments associated with select officer positions as part of a citywide compensation study.

Throughout the trends study period, police staffing levels have remained a point of emphasis. Although the number of sworn officers has increased, so has the number of calls dispatched. As shown in the chart below, calls dispatched per officer continue to climb.

Police Calls Dispatched per Sworn Officer

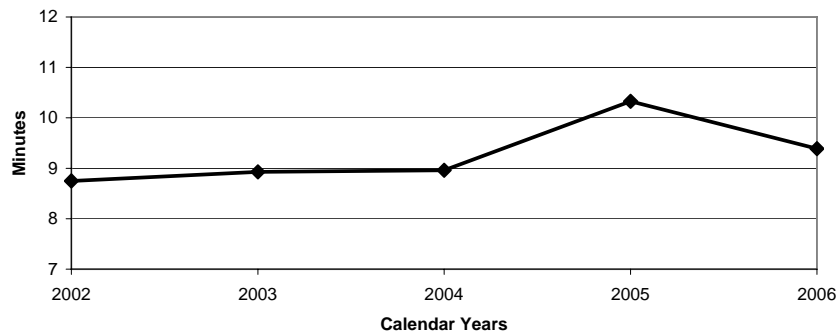


	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Call Dispatched	233,624	236,508	240,296	258,365	268,012
Sworn Officers	511	507	511	554	555
Calls Dispatched per Sworn Officer	457	466	470	466	483

Source: NC Local Government Performance Measurement Project; FY 2001-2002 through FY 2005-2006

There has been a concerted effort to decrease response times for Priority P, 1, and 2 calls during the past several years. The following graph depicts average response times, and shows that the average has increased steadily throughout 2002-2005, reaching a high of 10.3 minutes in 2005. In 2006, the additional officers appear to be positively impacting the average response time decreasing the annual average to 9.4 minutes.

Average Response Time to Priority P, 1, and 2 Calls for Police



	2002	2003	2004	2005	2006
Response Time in Minutes	8.8	8.9	9.0	10.3	9.4

Source: City of Greensboro Police Department

Greensboro Service Area Summaries

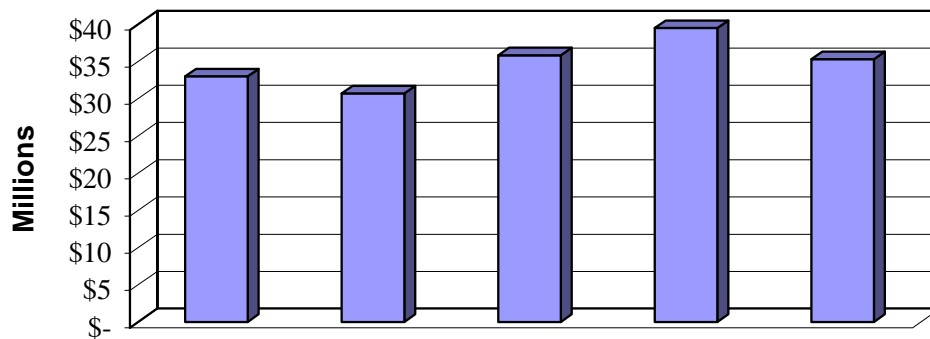
TRANSPORTATION SERVICE AREA SUMMARY

Fluctuations in expenditures for Powell Bill projects, the Street and Sidewalk fund, and Transit operations costs during the past three years have resulted in significant annual variances.

Description

The Transportation Service Area consists of Greensboro Department of Transportation (GDOT), the Greensboro Transit Authority (GTA), Street & Sidewalk Revolving Fund, State Highway Allocation Fund, and the City-owned parking decks. GDOT is composed of four divisions that include administration, engineering, operations (street maintenance and traffic), and planning.

**Transportation Service Area Net Expenditures
FY 2001-02 - 2005-06**



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 32,982,501	\$ 30,707,756	\$ 35,827,589	\$ 39,478,130	\$ 35,297,096
% Change		-6.9%	16.7%	10.2%	-10.6%

Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems

Analysis/Data

Over this five year review period, net expenditures in the Transportation Service Area grew from roughly \$33 million in FY 01-02 to \$35 million in FY 05-06, an increase of 7%. FY 05-06 saw a decrease in net expenditures of 10.6% from FY 04-05, which can be attributed to a reduction in spending in the State Highway Allocation Fund at -35% and the Street and Sidewalk Revolving Fund at -58%.

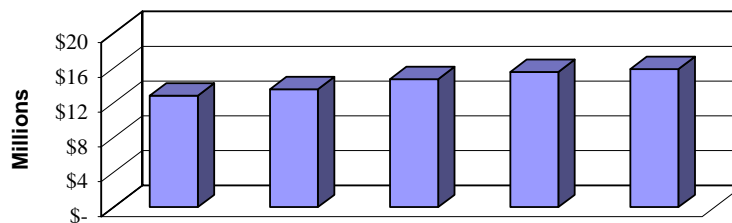
Increases in Transit Fund costs, driven both by increases in service provided and increases in major cost components, contributed considerably to the overall increase in this service area. Overall transit costs increased 31% during this five year period. Similarly, increases in street maintenance, traffic signal maintenance and storm

sewer maintenance costs led to a 24% increase in General Fund Transportation costs during this time period.

General Fund Transportation

General Fund Transportation Expenditures are used to support the work of GDOT. Over the last five years, Transportation expenditures have increased from \$12.8 million to nearly \$15.8 million, or 24%. The chart below outlines General Fund Transportation's overall expenditures for the five year period. Expenditures have been steadily increasing with the most notable increases occurring in FY 03-04 and 04-05. The nature of these increases has been due to a variety of factors including increased costs for asphalt maintenance and personnel costs.

**General Fund Transportation Expenditures
FY 2001-02 - FY 2005-06**



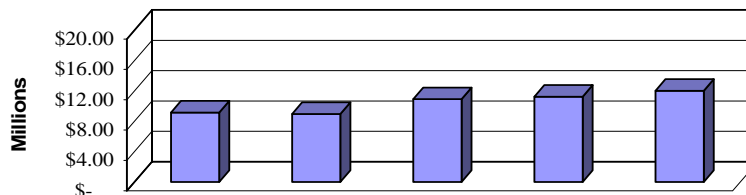
	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 12,840,011	\$ 13,553,817	\$ 14,712,051	\$ 15,549,922	\$ 15,877,182
% Change		5.6%	8.5%	5.7%	2.1%

Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems

Greensboro Transit Authority (GTA)

GTA expenditures increased overall during the trend period by \$2.85 million or 31%. Most of these expenses are related to the City's contract for fixed route and paratransit service, higher diesel fuel prices, and local matches for federal and state grants.

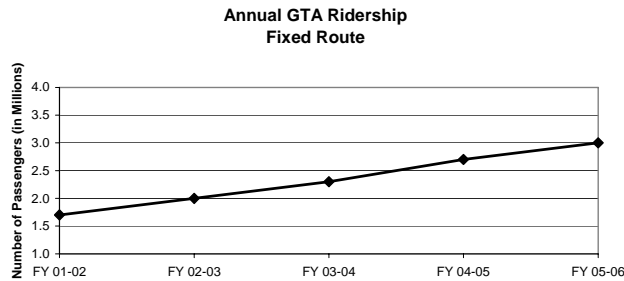
**GTA Net Expenditures
FY 2001-02 - FY 2005-06**



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 9,175,358	\$ 8,978,518	\$ 10,930,220	\$ 11,246,154	\$ 12,027,247
% Change		-2.1%	21.7%	2.9%	6.9%

Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems

This increase is also related to the cost of expanding housekeeping support at the J. Douglas Gaylon Depot to accommodate the inauguration of Amtrak service from the facility.



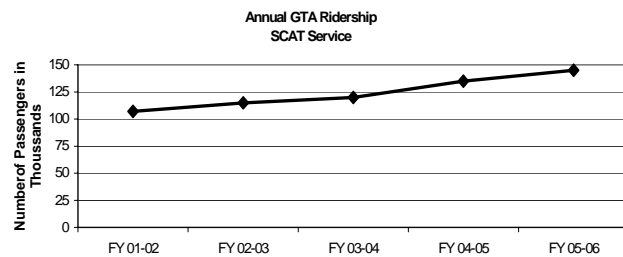
	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Number of passengers in millions	1.7	2.0	2.3	2.7	3.0

Source: Greensboro Transit Authority

GTA has experienced increased ridership as well as increased costs. The graph shows the number of fixed route passengers during the five year trend period. The increase in ridership can be attributed to several factors including existing passengers using

the service more frequently; access is more convenient at the J. Douglas Galyon Depot; and lastly, higher fuel prices made using GTA more attractive. The number of people who choose to use the service is greater than ever increasing from 1.7 million in FY 01-02 to 3 million in FY 05-06.

SCAT expenditures increased by 61% during this five year period. Expenditures were \$2,003,000 in FY 01-02 and \$3,229,624 in FY 05-06. This increase is due mainly to changes in service provision. Beginning May of 2004, this service was available to all persons with disabilities that live within the City limits, whereas previously it was available based on federal guidelines. SCAT ridership also increased over this five year period. This service experienced a 35% increase in ridership from FY 01-02 to FY 05-06.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Number of Passengers in thousands	107	115	120	135	145

Source: Greensboro Transit Authority

Miscellaneous Transportation Activities

During the five year trend period, expenses for the Street & Sidewalk and State Highway Allocation (Powell Bill) Funds decreased. In FY 04-05, Transportation used a large appropriation of Powell Bill fund balance to pay for a number of projects, which resulted in a reduction in available fund balance for FY 05-06. The Street and Sidewalk Revolving Fund was previously funded through available fund balance appropriated. There is no longer sufficient fund balance to continue to finance significant projects from this fund and the Red Light Photo Program was also suspended effective March 17, 2005.

Greensboro Service Area Summaries

ECONOMIC & COMMUNITY DEVELOPMENT SERVICE AREA SUMMARY

Expenditures have declined in this service area for several years as a result of budget constraints and the timing of economic incentive payments.

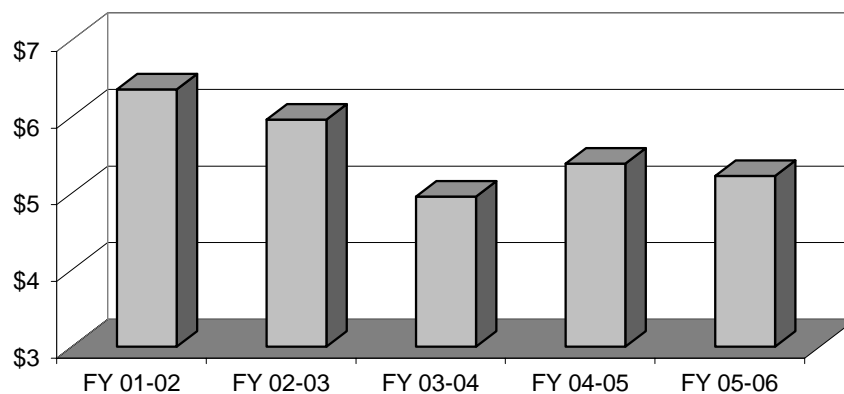
Description

The Economic and Community Development Service area includes economic development initiatives administered through the City Manager's Office, the Nussbaum Housing Partnership Fund, Planning, Human Relations and other non-departmental activities associated with economic and community development. The City's three municipal service districts are also included in this service area under the Special Tax Districts Fund.

Analysis/Data

Budget constraints experienced by the City since FY 01-02 are evident in this service area. In FY 02-03, General Fund support to the Housing Partnership Fund was reduced from \$2.1 million in FY 01-02 to approximately \$1.8 million and contributions to outside agencies were reduced during the last quarter of the fiscal year. In FY 03-04, funding was completely eliminated for human service agencies and the City's payments for economic development incentives decreased by \$840,000 due to timing on eligibility for several approved incentive packages.

**Economic and Community Development Service Area Net
Expenditures (in millions)**



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 6,352,177	\$ 5,957,969	\$ 4,954,334	\$5,387,322	\$5,224,496
% Change		-6.2%	-16.8%	8.7%	-3.0%

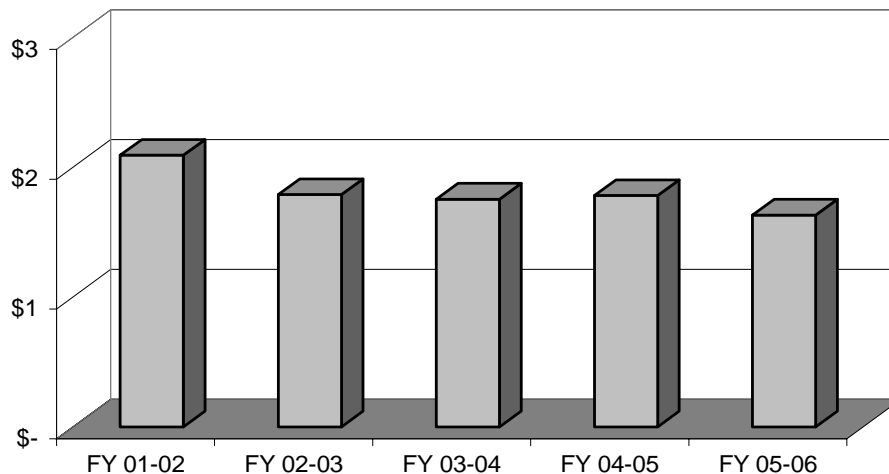
Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems

Spending in the service area rose in FY 04-05, as a result of the establishment of a downtown Business Improvement District, which increased expenditures in the Special Tax Districts Fund by \$175,000. The General Fund transfer to support the Nussbaum Housing Partnership Fund remained steady at \$1.7 million in both FY 03-04 and FY 04-05, but dropped back 8.5%, or over \$150,000, in FY 05-06; Housing & Community Development expenditures fell significantly in FY 05-06 as result of Council directed reductions to Project Homestead Property Management (\$12,000); housing rehabilitation, emergency shelter assistance and homebuyer loans (\$180,000); and reduced operating expenditures (\$8,000). A number of housing rehabilitation and homelessness prevention activities were transferred to the Community Development Block Grant Fund, where they will be fully funded.

Nussbaum Housing Partnership Fund

From the late 1990's through FY 2000-01, the General Fund contribution to the Nussbaum Housing Partnership Fund was set at the equivalent of 1.3 cents of the levied property tax rate. As budget constraints grew, the amount of General Fund transfer decreased to a one cent allocation, beginning in FY 02-03. With revaluation in FY 04-05, the allocation dropped to 0.83 cents on the tax rate; however, the dollar amount of the transfer was unchanged.

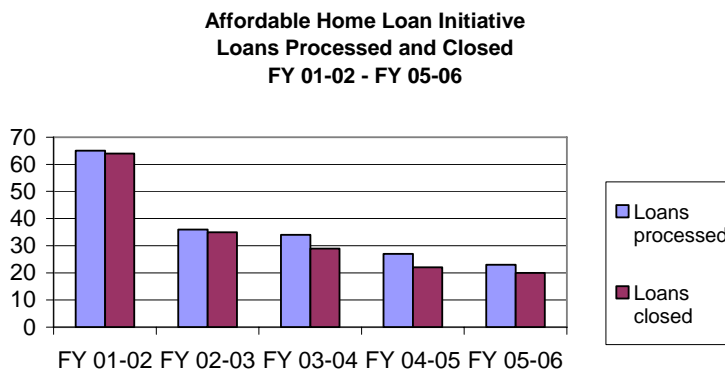
General Fund Transfer to the Nussbaum Housing Partnership Fund, FY 01-02 to FY 05-06 (in millions)



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Transfer Amount	\$ 2,092,988	\$ 1,789,880	\$ 1,755,445	\$1,782,332	\$1,631,700
% Change		-14.5%	-1.9%	1.5%	-8.5%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

The HOME Program and Community Development Block Grant (CDBG) Programs continue to provide funding for much of the Housing and Community Development Department's work; in FY 04-05, the intergovernmental revenue received from the CDBG Program was in excess of \$2.5 million, a 34% increase over the previous year and remained strong in FY 05-06 at \$2.46 million. In FY 05-06, there was a one-time reduction of the targeted loan pool program to pay for housing rehabilitation and homelessness prevention programs that were previously funded in the Nussbaum Fund. The HOME Program suffered a 44% drop in funding due to the loss of intergovernmental revenues that were generated by the City of High Point's participation in the consortium. In FY 05-06, dropped out of the consortium because they qualified for the program on their own.



Source: City of Greensboro Department of Housing and Community Development

	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Number of Loans Processed	65	36	34	27	23
Number of Loans Closed	64	35	29	22	20

conditions have affected the ability of several homebuyers from completing the process, increasing the gap between the number of loans processed and the number of loans actually closed. The graph above illustrates this trend.

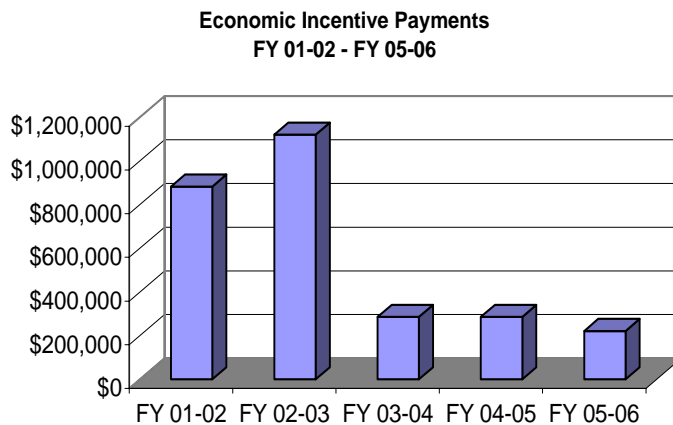
HCD's first time homebuyer program continues to assist homebuyers in need of additional funds for the purchase of their first home, although the number of closed loans has decreased since FY 01-02. Funds have been available; however, there are other lenders in the market that now offer better terms and 100% financing. The number of loans processed has remained relatively the same since FY 02-03, but local economic

Municipal Service Districts Fund

Beginning in FY 04-05, the Downtown Business Improvement District joined the Charles B. Aycock and College Hill historic tax districts to become the third municipal service district in the City. All funds are held in separate reserve accounts. Both the Aycock and the College Hill Districts levy an additional 5

cents on the tax rate for improvements to historic character and right-of-way areas of each neighborhood. The Downtown Business Improvement District levies a 9 cents tax on properties in the downtown district for use in revitalizing the district through economic development initiatives and any use of the funds must be approved by business owners and residents. During FY 04-05, unappropriated fund balance was used for larger improvement projects planned by residents in the Aycock District, including a contribution to the Summit Avenue Corridor Study. Only \$175,000 of the budgeted \$350,000 for FY 04-05 was spent in the Downtown Business Improvement District, as the service district was not functional until January of 2005. During FY 05-06, funding was returned to its normal level.

Economic Development Initiatives



Source: City of Greensboro Financial Systems

Economic incentive payments are used as a tool to recruit corporate relocations of expansions of existing businesses within the City. Throughout the five year period, the amount of economic incentive payments varied according to the timing of the award and the installments agreed upon by both parties. Between FY 01-02 and FY 04-05, large payments were made to

RF Micro, Stockhausen, Lorillard, and Syngenta. In FY 03-04, Syngenta was the only company to receive economic incentive payments. During FY 05-06, RF Micro received the first of its three installment incentive payments and Syngenta received its third in a series of three installments. Other incentives associated with infrastructure for water and sewer are captured in the Environmental Protection Service Area Summary.

Greensboro Service Area Summaries

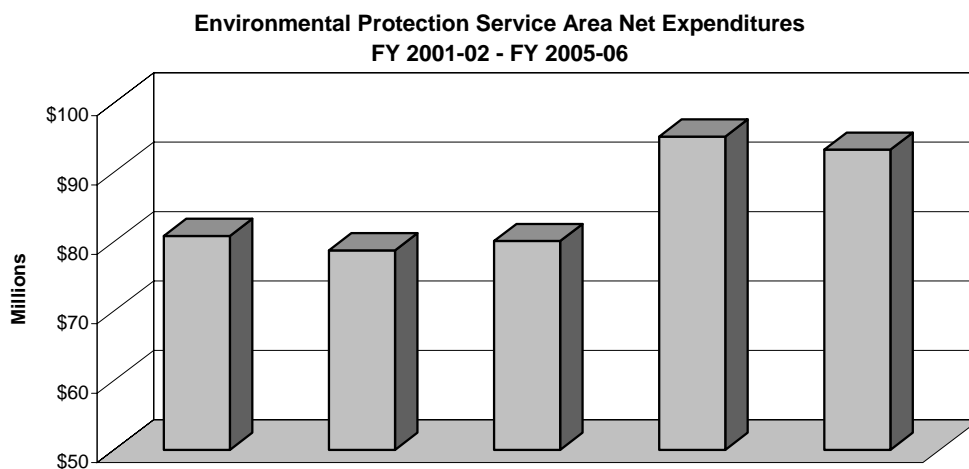
ENVIRONMENTAL PROTECTION SERVICE AREA SUMMARY

The Environmental Protection Service Area remains the largest in annual operating expenses and is expected to increase in coming years.

Introduction

The Environmental Protection Service Area includes the Water Resources and its associated Capital Reserve Fund, the Solid Waste Management, Stormwater Management and Cemeteries Funds as well as environmental programs and non-departmental support for environmental protection.

Environmental Protection continues to be the largest service area, increasing from \$80.8 million in FY 01-02 to \$93.2 million in FY 05-06, an increase of 15.4%. Expenses remained relatively stable from FY 01-02 through FY 03-04 before increasing 18.8% in FY 04-05 with a slight dip occurring in FY 05-06. In addition, this service area had a net increase of 37.97 FTEs over the five year period which represents an increase of 7%.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 80,806,507	\$ 78,725,789	\$ 80,074,357	\$ 95,115,876	\$ 93,230,918
% Change		-2.6%	1.7%	18.8%	-2.0%

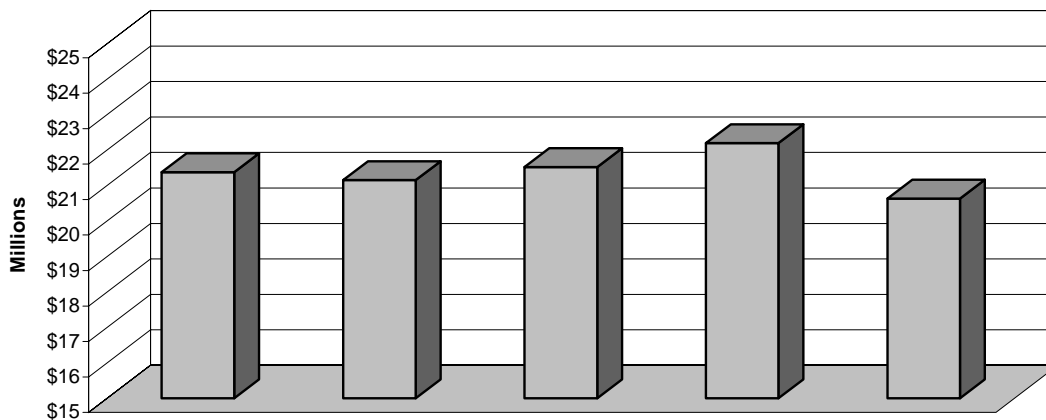
Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

The significant increase in this service area over the last five years can be attributed to Water Resources. The Stormwater Management Fund, Solid Waste Management Fund, and Cemeteries Fund actually spent less in FY 05-06 than in FY 01-02. However, this service area will continue to grow in the coming years. Water Resources and Stormwater will continue its extensive Capital Improvement Programs and net refuse disposal costs will increase with the opening of the refuse transfer station.

Solid Waste Management Fund

Spending in the Solid Waste Management Fund has been fairly consistent over the five year period. No major changes were made to solid waste collection services until FY 04-05, when a City-initiated annexation and the revision of the Chapter 25 ordinance allowing attached units added over 1,600 homes to existing collection routes. Three FTEs and two new collection vehicles were added upon annexation and \$581,000 was allocated from fund balance to provide resources for the attached units. A new compost facility also became operational at the White Street Landfill in FY 04-05, resulting in higher expense, but also generating offsetting revenue from the sale of mulch and other compost materials.

**Solid Waste Management Fund Expenditures
FY 2001-02 - FY 2005-06**



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 21,376,067	\$ 21,152,103	\$ 21,517,610	\$ 22,192,076	\$ 20,632,377
% Change		-1.0%	1.7%	3.1%	-7.0%

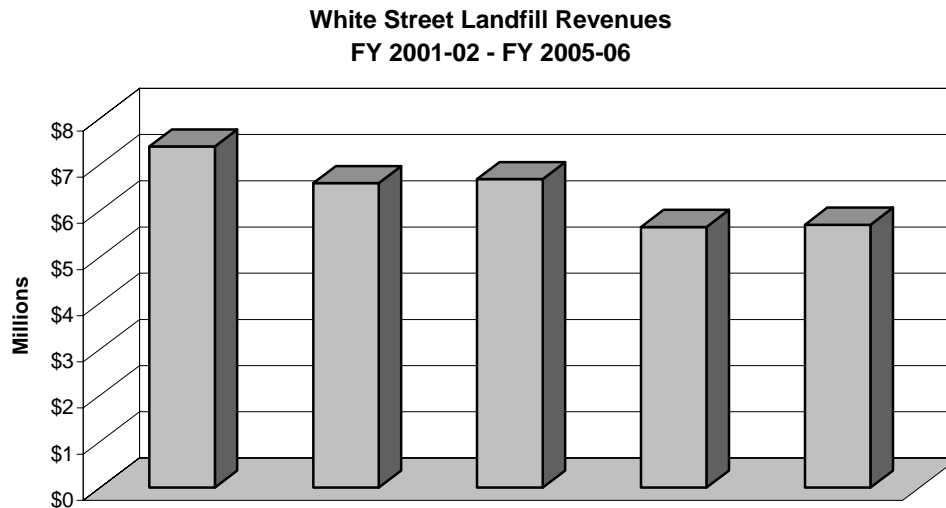
Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems

While overall spending in the Solid Waste Management Fund has not fluctuated much over the majority of the five year period, a significant decrease occurred in FY 05-06, during which transfers to other funds and various maintenance and improvements to the Landfill were reduced significantly. During this same period, the revenue streams have changed dramatically. The \$5 per month solid waste collection fee charged to residents was eliminated in FY 04-05 and replaced by an additional levy on the tax rate, resulting in a policy change of less reliance on user fees in the area of residential solid waste collection. As a result, the General Fund transfer to the Solid Waste Management Fund increased by \$3 million in FY 04-05 to offset the lost user fee revenue. However, FY 05-06 reduced the General Fund transfer amount by \$737,426.

While revenues associated with the sale of recyclable materials continue to be strong, the market dictates which materials are viable and what prices each type of material will

receive; therefore, this source of revenue has had ups and downs over the trend period. Revenues have increased 125% over the past 5 years, from \$438,527 in FY 01-02 to \$988,340 in FY 05-06. Due to the volatility in this revenue source, future revenues are hard to predict.

During the second half of FY 02-03, revenues from the solid waste tipping fee at the White Street Landfill began to decline due to the loss of Republic Waste as one of the City's primary haulers into the White Street Landfill. By the end of FY 04-05, all tonnage associated with Republic Waste was being taken to a facility owned by their company. Despite losing over \$1.0 million annually from Republic's business, the White Street Landfill has made up a portion of the lost revenue by bringing in additional waste from new and existing customers. Strong Construction and Demolition debris, and steady growth in Land Clearing and Inert Debris (LCID) and Compost Facility revenues have also helped to mitigate the loss of the Republic Waste revenue stream, although, this revenue stream remains relatively flat for FY 05-06.



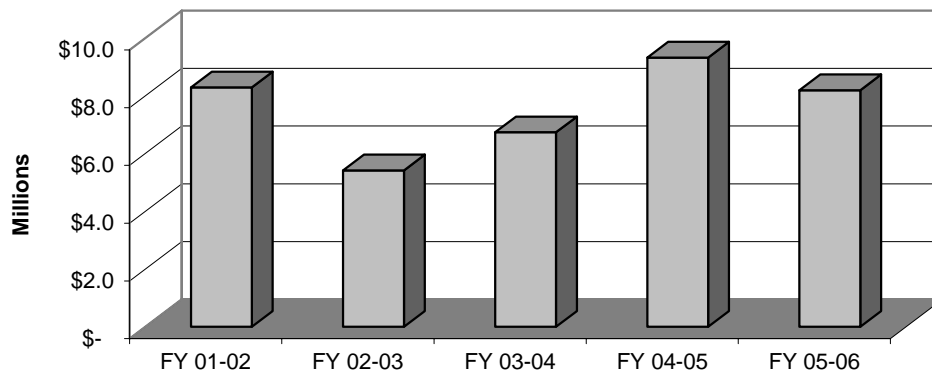
	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Revenues	\$ 7,390,608	\$ 6,592,108	\$ 6,680,833	\$ 5,646,307	\$ 5,694,611
% Change		-10.8%	1.3%	-15.5%	0.9%

Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems

Stormwater Management Program

Expenditures fluctuated in Stormwater Management over the five year review period, dropping 34.6% from FY 01-02 to FY 02-03 before increasing 71.9% over the next two years. Expenditures then dropped 12.1% from FY 04-05 to FY 05-06. Despite this fluctuation, Stormwater expenditures in FY 05-06 were 1.2% less than they were in FY 01-02. In addition, Stormwater shows a net decrease of nearly 1 FTE over the time period.

**Stormwater Management Fund
FY 2001-02 - FY 2005-06**



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 8,296,330	\$ 5,423,418	\$ 6,739,549	\$ 9,323,328	\$ 8,199,854
% Change		-34.6%	24.3%	38.3%	-12.1%

Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems

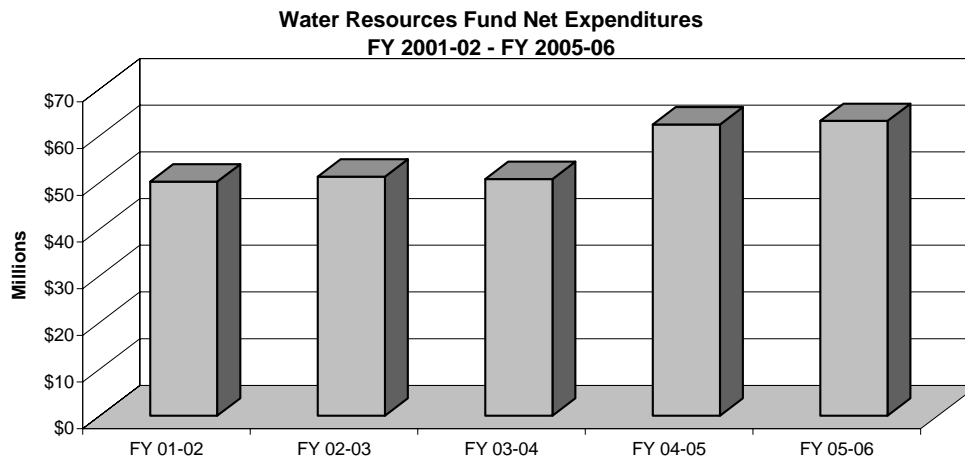
Much of the decrease from FY 01-02 to FY 02-03 can be attributed to the fact that no transfer was made to the Stormwater Capital Improvements Fund. In previous years, the department had used much of its fund balance on Stormwater Improvement Projects and rising operating costs were consuming recurring revenues. In order to address this problem in FY 03-04, Stormwater received its first rate increase since the inception of the program in FY 93-94. In addition to a rate increase, a new rate structure was adopted that shifted from a flat rate in which all residents paid the same fee to a 3-tiered structure in which the amount paid by residents is dependent on the amount of impervious surface area on that resident's property.

The additional revenue generated from this increase allowed Stormwater to transfer funds to the Stormwater Capital Improvements Fund in FY 03-04 and FY 04-05 in the amounts of \$834,000 and \$2.8 million respectively. This transfer accounted for over \$2 million of the \$2.6 million increase from FY 03-04 to FY 04-05. The FY 05-06 transfer to the capital fund decreased by nearly \$1.1 million from the previous year. The amount of funding available for transfer to the capital fund will vary from year to year based on revenue growth and the amount of fund balance available for appropriation.

Water Resources

The Water Resources Fund accounts for all operations and activities of the Water Resources Department. This includes maintenance of three surface reservoirs and two wastewater treatment facilities. Also included in this fund are expenses for water and sewer line maintenance, pumping station maintenance and the installation and maintenance of customer connections.

From FY 01-02 to FY 05-06, expenditures in Water Resources increased an average of 6.4% percent per year or 26.0% overall. In addition, the number of FTEs increased by 7.8% or 23.4 FTEs.



Water Resources Fund Net Expenditures/Debt Service					
	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Operating Expenditures	\$ 50,102,326	\$ 51,196,505	\$ 50,712,210	\$ 62,374,884	\$ 63,135,196
Debt Service	\$ 8,366,110	\$ 10,104,208	\$ 11,023,302	\$ 13,534,765	\$ 13,536,687
Debt Service %	16.7%	19.7%	21.7%	21.7%	21.4%

Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06;
City of Greensboro Financial Systems

As indicated in the table above, debt service continues to make up a significant percentage of the budget for Water Resources. During the past five years, debt service has increased from 16.7% of the budget in FY 01-02 to a high of 21.7% of the budget in FY 04-05. Although this figure fell slightly to 21.4% in FY 05-06, debt service was still at a five year high of \$13,536,687 which represents a 61.8% increase over FY 01-02.

In addition to increasing Debt Service payments, Water Resources continues to transfer significant funding for capital funding to the Water & Sewer Capital Project Fund and the Capital Reserve Fund. Nearly \$9.1 million of the increase from FY 03-04 to FY 04-05 can be attributed to Debt Service and the transfer to the Water and Sewer Capital Improvements Fund. In FY 05-06, Water Resources transferred \$7.4 million to capital funds, down from \$9.7 million the previous year. To support these transfers and rising debt service payments, general rate adjustments have been implemented annually throughout the last five years.

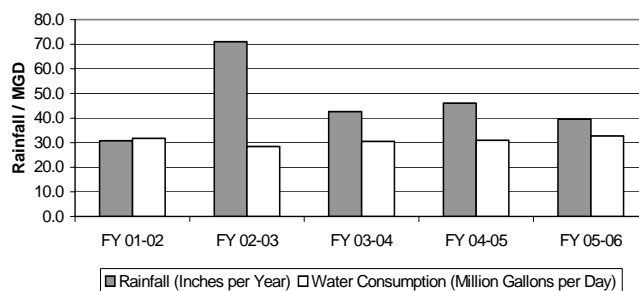
Expenditure increases have been driven largely by water supply issues. In addition to agreements to purchase water from some surrounding cities and the capital expenses associated with the building of those lines, Water Resources has also constructed a water line and pump station that allows the City to receive water from the Haw River and has been one of the primary funding sources for the Randleman Dam project. These projects have significantly improved and stabilized the water supply situation for the City. In FY 01-02, daily consumption represented an unsustainable 99.4% of the City's Safe Daily Yield. Through conservation and increased capacity, consumption averaged 85.4% of capacity from FY 01-02 to FY 05-06.

In addition to the projects listed above Water Resources has funded an extensive list of capital improvement projects over the last five years. These projects include facility improvements and upgrades at both Lake Townsend and Mitchell Treatment Plants, replacement of the Reedy Fork Lift Station, North Buffalo Sewer Improvements, implementation of Automated Meter reading, and general improvements to the sewer system along with expansion of the water supply system. General rehabilitation of the aging water and sewer system along with new expansion will continue to be an area of emphasis in coming years.

Given the increasing costs for debt service and capital projects, it will become increasingly important to monitor revenues to detect any adverse effects conservation, rate hikes, and/or rainfall may have on revenue trends. The Consumption versus Rainfall graph demonstrates the effects outside variables may have on water consumption, thus directly affecting revenues. Thanks to record rainfalls in FY 02-03 along with conservation efforts, consumption was at a five year low of 28.4 MGD. It should be noted that water restrictions were in place for the first five months of FY 02-03.

Average Daily consumption increased in FY 03-04 and FY 04-05 as rainfall levels decreased from 71 inches to 42.6 inches and 46 inches, respectively. Consumption rose to 32.7 MGD in FY 05-06 as rainfall dropped to 39.5 inches on the year. One step that Water Resources has taken in recent years to minimize the effects of outside variables on revenues is to increase charges for Billing and Availability fees.

**Water Consumption versus Rainfall
FY 2001-02 - FY 2005-06**



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Yearly Rainfall	30.7	71.0	42.6	46.0	39.5
Average Daily Consumption	31.8	28.4	30.5	31.0	32.7

Source: City of Greensboro Water Resources

Greensboro Service Area Summaries

CULTURE AND RECREATION SERVICE AREA SUMMARY

Operating expenditures decreased largely last fiscal year as a result of significantly less program activity at the Coliseum Complex and other cost containment efforts.

Description

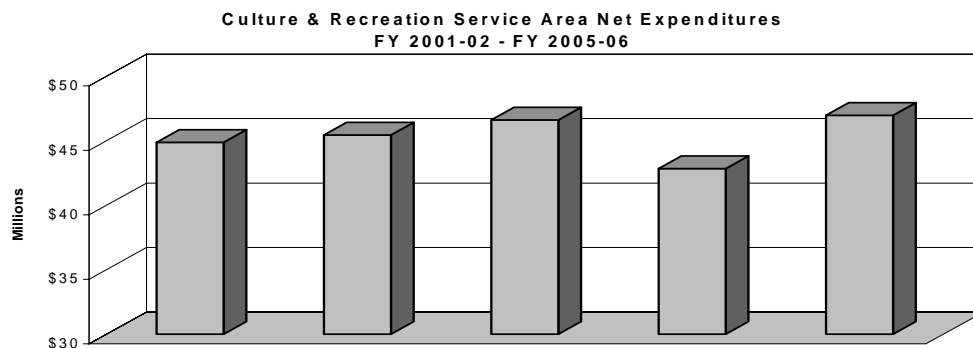
The Culture and Recreation Service Area includes Parks and Recreation Department services, Libraries and Historical Museum, the Bryan Park and War Memorial Coliseum Complex Enterprise Funds as well as a large variety of non-departmental culture and recreation activities. The Hotel/Motel Occupancy Tax Fund is also included in this service area.

Analysis/Data

During this five year period, total net expenditures for Culture and Recreation increased from \$44.8 in FY 01-02 to \$46.9 million FY 05-06. As a percentage of total net expenditures, culture and recreation expenditures fell from 15.5% in FY 01-02 to 14.4% in FY 05-06.

This reduction results from a variety of factors, including significant changes in management structure in some service areas and dramatic fluctuations in Coliseum programming and related expenses. During this time period, the management of Bryan Park was placed under a third party agreement, greatly reducing the expenditures for park maintenance that are recorded in the city's budget. The Coliseum booked about \$12 million in expenses during FY 05-06, the result of increased programming and higher attendance records than the previous year.

Overall expenditures shown in this service area have increased over the review period with several enhancements implemented, particularly in Parks and Recreation and Libraries. These included such enhancements as the opening of two regional branch libraries in FY 04-05, the increase in the library collections inventory by \$220,000 or 35% in FY 05-06 and the purchase of the Sportsplex Complex in 2003. FY 05-06 was also the first fiscal year of operations for Carolyn Allen Park.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 44,882,272	\$ 45,455,461	\$ 46,614,519	\$ 42,844,727	\$ 46,977,143
% Change		1.3%	2.5%	-8.1%	9.6%

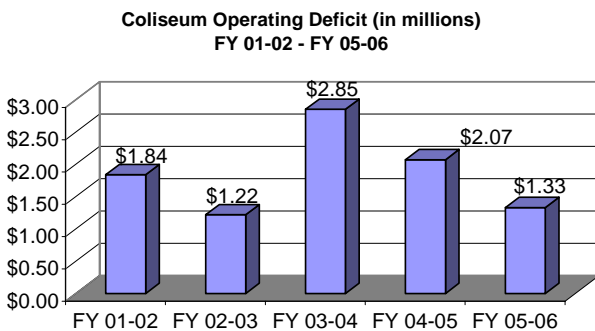
Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems

Coliseum Complex Fund

The War Memorial Coliseum Fund accounts for all operations activities of the War Memorial Coliseum Complex. This includes the Arena, the Special Events Center and Pavilion and the War Memorial Auditorium. Events held at the Complex include conventions, concerts, consumer shows, sporting events, family shows and trade shows.

Over the course of the past five years, the Coliseum Fund has posted average operating deficits of \$1.9 million, a value of less than one cent on the property tax rate. The Coliseum used aggressive recruitment of consumer and entertainment events along with continual pursuit of cost containment measures, including staff reductions and outsourcing of selected activities, to keep operating deficits steady or actually decreasing through most of this time period. As of FY 05-06, the Coliseum is carrying about 23 fewer full time equivalent positions (FTEs) than just four years prior. Attendance at the Coliseum Complex reached over 1.4 million in FY 05-06.

FY 05-06 saw 859 event performances that contributed to the drop in the operating deficit from \$2.07 million in FY 04-05 to \$1.33 million in FY 05-06.



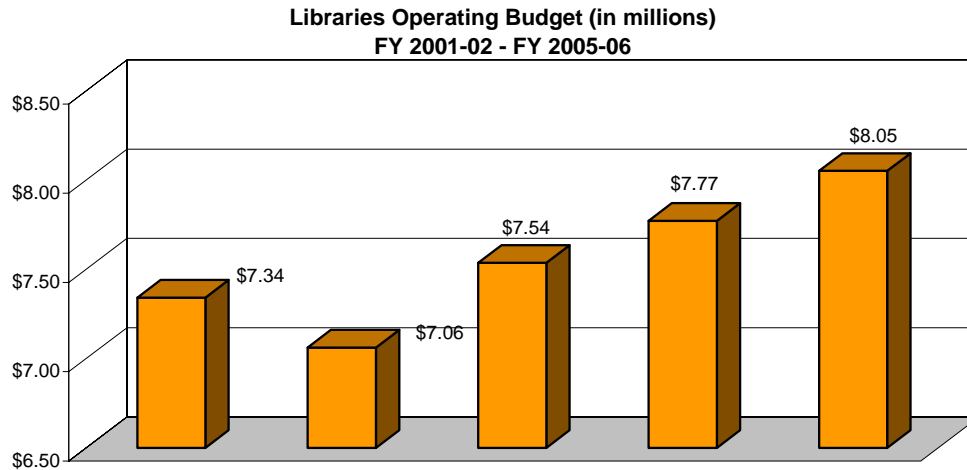
Source: City of Greensboro Financial Systems

During the 5-year trend period, general fund contributions have ranged from a low of \$1.55 million to a high of just over \$2 million. The general fund contributions support the operations of the facility and can vary this much as a direct result of event programming that is scheduled to occur each year.

During FY 05-06 the Coliseum Complex hosted the ACC Women's Basketball Tournament and the ACC Men's Basketball Tournament as well as the first and second rounds of the Men's NCAA Division I Basketball Championships. The Coliseum also hosted its largest convention in history in June with attendance reaching over 40,000 attendees. The complex hosted 53 family show performances, an increase of 11 performances from FY 04-05 with record gross sales for Greensboro's engagement of "Sesame Street Live" at over \$111,000.

Libraries

The five year trend period shows gradual increases to the Libraries' operating budget with the exception of FY 02-03 when operating expenditures were affected by the reductions of State-shared revenues.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Operating Budget	\$ 7,340,995	\$ 7,062,226	\$ 7,535,788	\$ 7,771,466	\$ 8,051,228
% Change		-3.8%	6.7%	3.1%	3.6%

Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems

Two new branch openings (Hemphill and Kathleen Clay Edwards) in FY 04-05 increased the Libraries' personnel expenses due to new staffing needs. However, maintenance and operation expenditures declined as savings were realized from rental costs that no longer needed to be incurred.

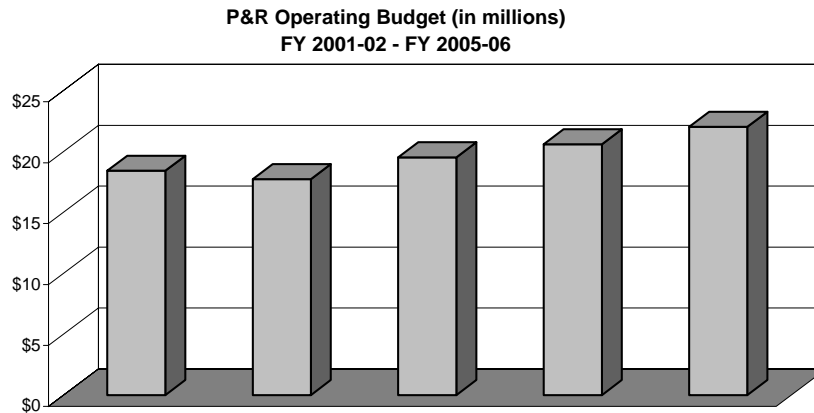
During FY 05-06, Libraries increased its collections inventory by \$220,000 or 35%. This was a deliberate initiative to increase books per capita in an effort to meet state and national standards. Issuance of library cards continues to rebound from a decline in FY 03-04, which was a result of the closing of two facilities in 2002. Between FY 04-05 and 05-06, there was 13% increase in cards issued.

Some of Libraries' key performance measures over the trend period include:

- Library cards issued increased 6%;
- Library visits increased 11%;
- Circulation of new adult material increased 27%;
- Materials available in Spanish increased 595%.

Parks & Recreation

Actual expenditures for Parks & Recreation are shown in the chart below:



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Operating Budget	\$ 18,413,173	\$ 17,732,696	\$ 19,517,223	\$ 20,595,072	\$ 22,027,482
% Change		-3.7%	10.1%	5.5%	7.0%

Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems

This time period saw Parks and Recreation expenditures fall during FY 02-03 and then rebound in the years following with the addition of several program enhancements. Operating expenditures were affected in FY 02-03 from reductions made as a result of a loss of State-shared revenues. Over the past five years, Parks and Recreation expenditures have increased from \$18.4 million to nearly \$22 million, or 19.6%.

FY 05-06 saw a 7% increase in operating budget from FY 04-05. Fuel costs, the addition of several new programs, increased cost of chemicals at the pools, and several one-time expenses occurred during FY 05-06. Additionally, Carolyn Allen Park began the first full year of operations in FY 05-06.

Expenditures for the management and operations at Bryan Park were moved from an enterprise fund to the General Fund in FY 05-06. Effective May 2003, the management of the Golf Course and Enrichment Center was privatized and control was given to Bryan Park, LLC. Only one FTE remains at Bryan Park to provide routine maintenance. The General Fund support for the facility was about \$280,000 in FY 05-06.

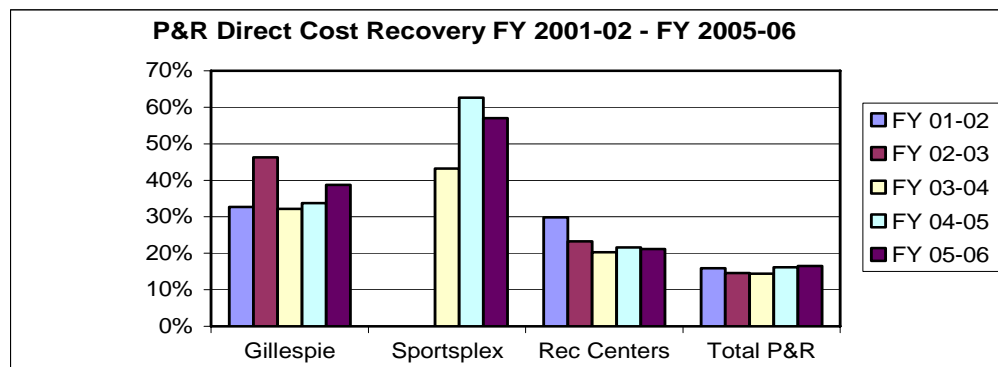
During this five year time period, Keeley Nursery ceased operations in July, 2003 and several permanent reductions were made in the City Arts programs primarily in the areas of dance, music and drama. Effective, January, 2003, the City acquired the Greensboro Sportsplex. This facility has delivered strong results in terms of revenues as well as participation levels and variety of activities offered.

In FY 03-04, differential user fees for non-City residents were revised to more equitably recover actual costs in offering these programs to non-residents. The differential fee

varies, depending on the program area and, in some cases, certain fees may have been reduced or did not increase at all (i.e. Summer Day Camp and Afterschool Programs).

Direct cost recovery for the department for FY 05-06 was 16.5%. During this five year period, cost recovery declined in FY 02-03 and 03-04, but appears to be recovering. Part of the recovery is due to the Sportsplex facility which had over 50% cost recovery for FY 04-05 and 05-06. Gillespie Golf Course cost recovery has been steadily climbing for the past three years. Direct cost recovery at recreation centers declined for FY 02-03 and 03-04, but for the past two years is slightly over 21% due to an increased cost in heat and electricity and additional program offerings.

The chart below shows the cost recovery for select Parks and Recreation facilities and for the department as a whole.



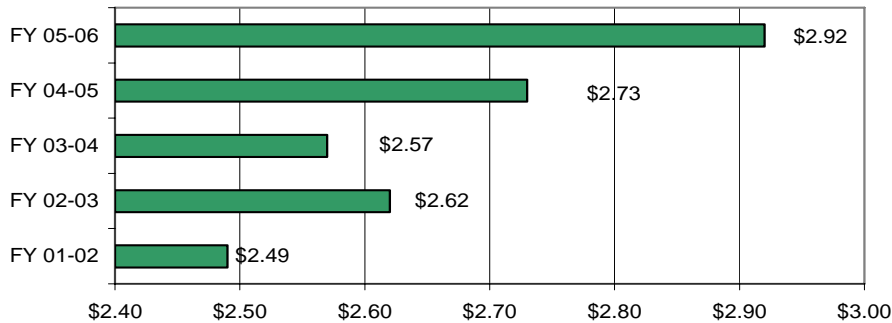
	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Gillespie	32.66%	46.29%	32.14%	33.74%	38.70%
Sportsplex	0.00%	0.00%	43.23%	62.58%	57.02%
Rec Cente	29.90%	23.25%	20.27%	21.57%	21.15%
Total P&R	15.87%	14.55%	14.41%	16.16%	16.50%

Source: P&R Budget Summary Information; City of Greensboro Financial System

Miscellaneous Culture & Recreation

The City of Greensboro levies a 3% Room Occupancy Tax on all hotel/motel rooms within the City limits. Proceeds of the levy are distributed 80% to the city and 20% to the Greensboro Convention and Visitors Bureau. While the City is restricted to primarily using its share of the distribution to support debt service on improvements to the Coliseum Complex, the City may also incur certain marketing expenses up to \$200,000 annually. Actual revenues from the occupancy tax levied are shown in the accompanying chart.

**Local Occupancy Tax FY 01-02 - FY 05-06
(In Millions)**



FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
\$2.49	\$2.62	\$2.57	\$2.73	\$2.92

Source: City of Greensboro Comprehensive Annual Financial Reports, FY 2001-02 through FY 2005-06

This revenue stream has grown by approximately 17% over the 5-year trend period, even though travel declined substantially in FY 01-02 following the events of 9/11. Annual revenue growth in the past three fiscal years has averaged 13%, returning to the double digit increases seen throughout most of the 1990's. Revenues are projected to increase 4-5% annually for the next several years with area hotels and motels experiencing a positive trend in conference and personal travel.

Funding in this area also includes various non-departmental agencies, the Coliseum Fund and the Bryan Park Fund for the provision of various cultural and recreational activities in Greensboro. In FY 05-06, the Bryan Park Fund was returned to the General Fund. Agencies have varied over the five year trend period as has the amount of funding for each. In FY 01-02, actual funding for these agencies was decreased by 25% from the adopted budget as a result of responding to State budget reductions. Funding has ranged from a low of \$3.04 million in FY 05-06 to a high of \$3.53 million in FY 01-02. The biggest recipients continue to be the Coliseum Complex and the Natural Science Center.

Greensboro Service Area Summaries

GENERAL GOVERNMENT SERVICE AREA SUMMARY

Technology and insurance expense changes dominate this service area.

Description

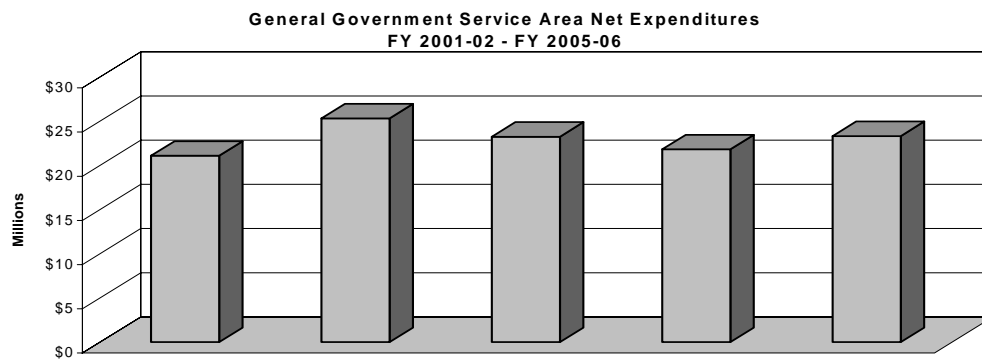
General Government is the service area where many important support functions for the City's operating departments are located. This includes all of the Executive Offices, Budget & Evaluation, Finance, Legal, Internal Audit, Human Resources, Insurance Services, Organizational Development and Communication, Engineering, Management Information Systems, Equipment Services, Graphic Services, Technical Services, and Telecommunications.

Analysis/Data

The most significant trend over the past few years in the General Government service area has been continued increases in health insurance funding. Increases in health insurance costs in FY 02-03 were \$1.1M; in FY 03-04 were \$2.0M; in FY 04-05 were \$1.7M; and, in FY 05-06 were \$2.8M. Expenditures in all insurance funding have increased from 17.0M to \$25.8M, a 52% increase in the last five years.

Other significant expenditures over this time period included Contact Center expenditures which began in earnest in FY 03-04. However, almost all of the personnel costs associated with this project have been reallocated resources from within the organization. Increases shown in FY 05-06, aside from insurance costs, included over \$800,000 for additional facility maintenance services and Human Resources services to address workload issues in Records Management and Employee Relations.

Note: For the purposes of this analysis, \$2 million in storm clean-up costs are excluded from FY 02-03 in the graph and table below.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$21,107,260.00	\$25,330,963.00	\$23,260,671.00	\$21,838,912.00	\$23,334,184.00
% Change		20.0%	-8.2%	-6.1%	6.8%

Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems

The dissolution of the City/County Telecommunications system to an exclusive City-operated system in FY 02-03 and contracting out of the Supply Room in FY 03-04 decreased operating expenses in this service area. A combination of unique project expenses designed to replace and improve the City's technology in particular service areas, along with decreased programming in some areas, also contributed to the overall decrease during FY 03-04 and FY 04-05.

Greensboro Service Area Summaries

DEBT SERVICE AREA SUMMARY

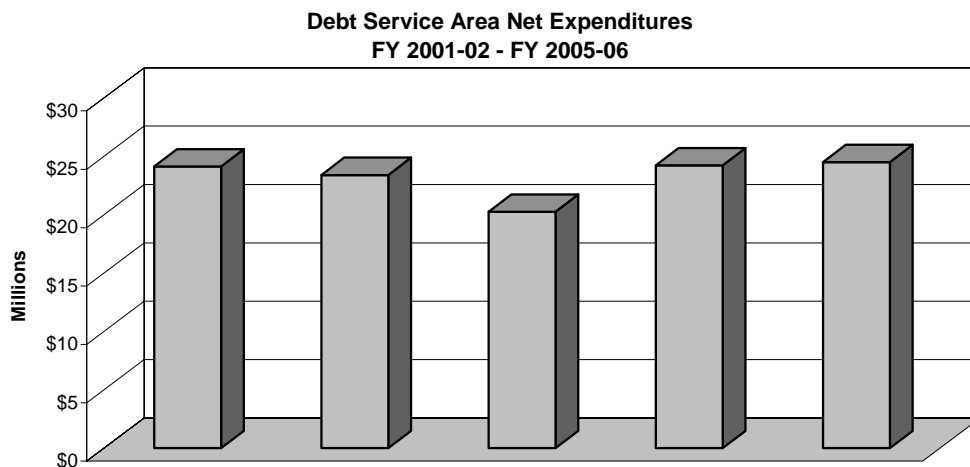
Debt Service operating expenditures vary from year to year depending on the timing of bond sales and varying lease payment schedules.

Description

The Debt Service service area includes the Debt Service Fund and the Capital Leasing Fund. This service area records the city's retirement of general debt obligations. Expenditures include principal and interest payments on the City's debt as well as administrative costs associated with selling bonds. The service area also includes payments on rolling stock, computers and other equipment that is lease-purchased by the City.

Analysis/Data

Much of the variance seen in this service area over the past five years is due to varying schedules of payments for leased computers and associated equipment and the postponement of general obligation bond sales due to budget constraints. Debt service costs show a substantial increase in FY 04-05 as several bond sales from the 2000 approved bond package were completed after years of postponement.



	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Net Expenditures	\$ 24,131,398	\$ 23,406,243	\$ 20,249,892	\$ 24,238,138	\$ 24,510,136
% Change		-3.01%	-13.49%	19.70%	1.12%

Source: City of Greensboro Annual Adopted Budgets, FY 2001-02 through FY 2005-06; City of Greensboro Financial Systems

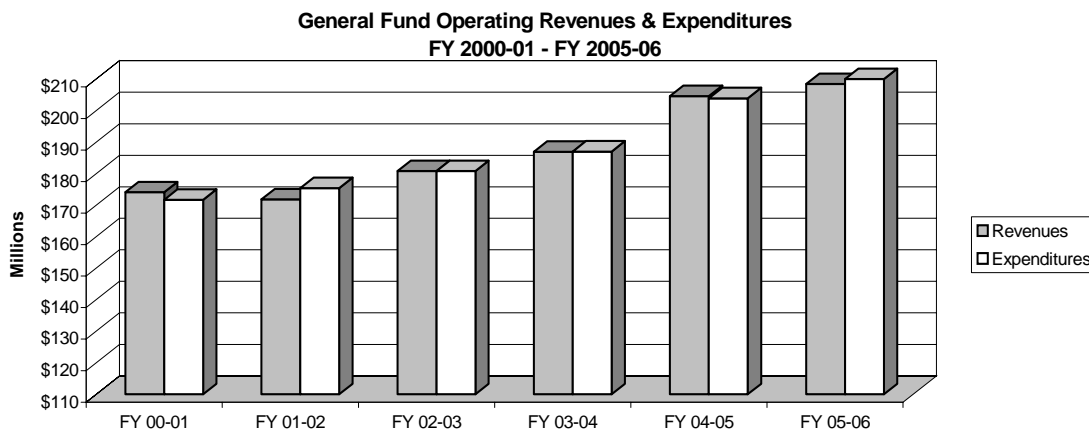
Greensboro Service Area Summaries

GENERAL FUND

For much of this review period, Greensboro focused on basic services and cost containment as slow economic growth hindered any ability to expand services.

Description

The General Fund accounts for many of the traditional operations and support functions associated with local government. These include Police, Fire, Transportation, Parks and Recreation, Solid Waste Collection and Libraries. The General Fund also provides support for solid waste disposal operations. Support departments and functions found in the General Fund include the City Manager's Office, Human Resources, Finance, Purchasing, Budget & Evaluation, Organizational Development and Communications and Management Information Systems.



Analysis/Data

Since 2001, the General Fund has averaged annual growth of 4.2%. If FY 04-05 is factored out (a year with 9% growth), the average annual growth has been 3.0%. Property valuation growth and sales tax growth have been generally slow during this time period, creating challenges for funding new or expanding programs or unanticipated cost pressures such as fuel increases during the past two years. During FY 01-02, The State of North Carolina began withholding considerable amounts of revenue previously shared with local governments, creating additional budget challenges for all local governments.

The unique growth rate experienced in FY 04-05 was due to a combination of factors, including annexation, debt service needs and a change in how Solid Waste services are funded. The first city initiated annexation of any consequence for some time occurred in FY 04-05, adding about \$2 million in annual expenses to the General Fund, largely offset by new revenues generated through the annexation. The sale of bonds authorized in 2000 began to require increases in General Fund support for general obligation debt service costs. Finally, the monthly roll out solid waste fee user fee was eliminated and

replaced with a larger General Fund contribution to the Solid Waste Fund. FY 05-06 experienced 3.4% expenditure growth, a rate typical of the past several years.

Public Safety service area expenses grew 4.4% in FY 05-06. Over the past five year period, expenditures in this service area grew from \$78.52 million in FY 01-02 to \$96.65 million in FY 05-06, an increase of just over 23%. This number is somewhat misleading due to the establishment of the Guilford 911 Fund during this time period. The fund was established largely through the movement of resources out of the General Fund (Police and Fire Departments). Absent this reorganization, the growth rate for the public safety service area would have been 28%. *Note: For the remainder of this service area discussion, the Guilford 911 reorganization is accounted for in the figures.* Authorized Police strength grew from 647 full time equivalent (FTE) positions in FY 01-02 to 689 FTEs in FY 05-06. A large portion of this increase occurred in FY 04-05 with the addition of 32 police patrol positions. (Note: Another 32 patrol positions have been added in the current year FY 06-07).

Fire Department authorized strength grew from 406 in FY 01-02 to 454 in FY 05-06, including additional positions for the Orchard Fire Station, the Horsepen Creek Fire Station and the merger of volunteer Fire Station #14.

General Fund expenditures in support of Economic and Community Development Service Area fell during this time period from \$5.89 million in FY 01-02 to \$4.69 million in FY 05-06. The most noticeable drop occurred in FY 03-04 as economic incentive payouts decreased from \$1.1 million to under \$300,000. Economic incentive payments remained at this level in FY 04-05 and FY 05-06. In FY 02-03, General Fund support for the Nussbaum Housing Partnership Fund was reduced from one and one-third cents of the property tax to one cent of the property tax. This number was adjusted in FY 04-05 to approximately 0.85 cents to account for revaluation of property. This adjustment did not lower the amount of subsidy being received by the Nussbaum Fund. However, a subsequent \$150,000 reduction in General Fund support for the Nussbaum Fund was instituted in FY 05-06.

Culture and Recreation expenses grew by 13.1% during this five year time period, from \$29.28 million in FY 01-02 to \$33.12 million in FY 05-06. Particularly during the leaner years of 2001-2003, considerable effort was made to reduce costs in some program areas to help offset anticipated increases in others. Beginning in FY 03-04, the Bryan Park Golf Course operation was placed under private management, reducing the City's net operations costs for the facility.

Service area expenditures grew more quickly during the latter part of this five year review period. Parks and Recreation expenditures began to grow again in FY 03-04 with the purchase and opening of the Sportsplex Facility and improved soccer facilities at Bryan Park. The multi-field Carolyn Allen Park opened for its first full year in FY 04-05 and the City assumed responsibility for field maintenance at War Memorial Stadium.

Transportation Service Area expenditures, which in the General Fund includes the Transportation Department and General Fund subsidies for the various parking operations funds, increased 27.5%, from \$13.69 million in FY 01-02 to \$17.45 million in FY 05-06. Throughout this time period, Transportation has steadily increased efforts in asphalt maintenance in an effort to improve road conditions, particularly on major thoroughfares. Additional spending was required on some roads annexed during FY 04-

05 which were in need of immediate attention. General Fund subsidy of the Parking Deck operations increased from \$846,000 in FY 01-02 to \$1.37 million by FY 05-06. Considerable repairs were undertaken to downtown parking decks during this time period, including structural repairs to the Davie Street Deck that required closure of the deck for nine months during FY 03-04.

The City made progress on major technology issues during this time period, although often with delays due to restricted fund availability. New networked financial, personnel and purchasing systems came on line during 2003. Police technology improvements such as a new CAD system and new Records Management System are now in place.

With little growth in major revenues, particularly during FY 02 and 03, efforts were made to limit additional debt service costs. As a cost savings measure, the initial sale of a portion of the bonds authorized by the voters in 2000 was delayed until January 2003 to postpone debt service cost increases as long as possible. From FY 01-02 to FY 05-06, the General Fund contribution to the Debt Service Fund increased from \$11.40 million to \$14.55 million.